



Remuneration Report 2018

For the year ended 31 July 2018



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Chair's introduction

On behalf of the Remuneration Committee (the Committee), I present our Remuneration Report which explains the role of the Committee, the policies it has implemented, and its activities over the year ended 31 July 2018.

The Committee is comprised of RICS-qualified professionals and independent non-executives with relevant experience. No serving executive is a member of the Committee. The aim of the Committee is to set a remuneration policy that is clearly aligned to RICS' strategic objectives, while taking account of the global markets in which we compete for talent. The Committee follows wider best practice developments in relation to pay and rewards and seeks to implement these where possible and appropriate to ensure principles of good corporate governance are maintained.

In the past year the Committee met four times and discussed a number of matters, including:

- Management and review of the Long-Term Incentive Plan 2016-19 (LTIP 2) for executives and key senior manager roles. Subject to the assessment of performance across all criteria in the final year, any payments under the Plan will be made in late 2019.
- Review of the annual Short-Term Incentive Plan (STIP) design to ensure that it continues to be closely aligned to the organisation's Business Plan and further enhances alignment with good practice.
- Assessment of performance against

2017-18 annual bonus targets.

- Review and approval of the executive and employee annual salary increases, effective from 1 August 2018.
- Oversight of:
 - the HR key performance indicators in relation to recruitment, retention and development;
 - the HR Risk Register;
 - 2017 UK Gender Pay Report; and
 - a global audit to assess compliance with all employee-related employer tax and legal obligations.
- External benchmarking audit for executives and key senior managers in the organisation, conducted with Mercer Limited, RICS' external, independent remuneration advisors.

The Committee continues to maintain an open and transparent policy with regards to remuneration and believes this Remuneration Report is a demonstration of this commitment.


Geraldine Kelly
Chair, Remuneration Committee

Introduction

Although the Royal Charter status held by RICS does not require disclosure of executive reward, RICS believes in adhering to the highest standards of corporate governance. As such, this report has been prepared on behalf of the Management Board by the Committee and is presented on a voluntary basis.

Committee membership and responsibilities

During the year ended 31 July 2018, the Committee comprised the following members:

Geraldine Kelly	Independent Chair
Chris Brooke	Secretary to the profession (From 7 November 2017)
Paul Marcuse	Chairman, Management Board
Chris Fossick	Representative of the profession
David Conroy	Independent Non-Executive Director
Elizabeth Spencer	Independent Non-Executive Director

The independent Non-Executives are reward professionals who bring a wealth of experience from a wide variety of sectors to the development of reward practice at RICS, and we benefit from the contribution of their knowledge and expertise in this area. In addition, our representatives from the profession provide detailed insight into the industry sectors that RICS operates in, to provide the Committee with both a reward specific and industry oversight.

All appointments to the Remuneration Committee are made in accordance with the RICS Global Appointments Model which is overseen by the Nominations Committee.

The Chief Executive Officer (CEO), Director of People and Corporate Social Responsibility and other executives may attend meetings at the invitation of the Committee Chair, though they are not present for discussions regarding their own remuneration.

The Committee also takes external independent advice from Remuneration Committee advisers Mercer Limited, who were appointed by the Remuneration Committee in July 2015 for a three-year term, which has subsequently been extended for a further two-years until 31 August 2020. Mercer Limited is a member of the Remuneration Consultants' Group and, as such, operates under the Remuneration Consultants' Group Code of Conduct. Advice may be sought on matters related to remuneration market trends, external benchmarking data, survey data, corporate governance updates and remuneration policy.

The terms of reference for the Committee are available on request from governance@rics.org.

The Committee's main responsibilities are:

- Reviewing and determining, at least annually, the terms of employment and remuneration package of the CEO and reviewing the decisions made by the CEO for the Executive Team.
- Reviewing the Chairman of the Management Board's performance assessment of the CEO against personal and corporate objectives.

- Conducting an external market audit and recommending the annual pay budget available to the organisation for salary reviews.
- Conducting a global reward audit to ensure the benefit policy remains compliant with local markets and the overall reward policy.
- Agreeing the percentage pay out of the RICS annual STIP each year which will be informed by business results and achievement against objectives.
- Overseeing the operation of the LTIPs, including a review of the participants, quantum of awards and selection of performance metrics and targets.
- Providing views on senior management succession and development planning, executive benefit schemes, and the strategic approach to reward for all RICS employees to the CEO.
- Maintaining a focus on risk, compliance and reporting obligations that relate to remuneration by ensuring that:
 - (i) there are effective risk management controls in place; and
 - (ii) all compliance and reporting obligations are carried out in an accurate and timely way.
- Reviewing the UK Gender Pay reporting obligations that came into effect in April 2017 and actions that are being taken to address the gender and other diversity pay gaps.
- Regularly reviewing the Committee's own performance against objectives.

The Remuneration Committee reports to the Management Board, which sets the terms of reference for the Committee.

Executive remuneration policy

The Committee's key objectives when setting the remuneration policy are:

- To ensure a clear link between remuneration and RICS' overall corporate strategy and performance.
- To set competitive total remuneration packages, in the short term and long term, with the appropriate split between variable and fixed pay, which will attract, retain and motivate high calibre executives to direct RICS successfully.
- Oversight of pay and employment conditions elsewhere within RICS.
- To take into consideration the wider environment for members' pay and employment conditions when making decisions on executive remuneration.
- To be mindful of remuneration policy developments in the wider corporate environment and how these can be incorporated into RICS' policy to promote good corporate governance and prevent reward for failure.

When setting executive remuneration packages, the Committee will use external benchmarking data from different sources. The Committee considers remuneration packages against those found in other professional bodies and private sector companies of similar size and complexity to inform the decisions it makes.

The Committee believes that it would be inappropriate to set total remuneration at the levels found in international private sector companies only, but that this serves as a relevant reference point when considering the pay conditions in the market generally.

While benchmarking provides a general

guide to pay levels in broadly comparable roles, the Committee is mindful of other factors, such as the contribution of the individual in the role, the performance of RICS and pay budgets for the wider workforce when setting remuneration packages.

CEO's base salary

For the year to 31 July 2018 the CEO's salary was £251,943.

For the year commencing 1 August 2018, the Committee awarded the CEO a salary increase of 3.1% resulting in a salary of £259,753 per annum. This was within the range used to increase salaries for the UK-based workforce.

CEO's pension and benefits

The CEO receives a taxable cash allowance in lieu of a pension scheme of 16% of basic salary.

In addition, the following group funded benefits are provided in line with typical market practice:

- car allowance;
- private healthcare;
- annual health screening;
- disability income protection;
- life insurance.

Short-Term Incentive Plan (STIP)

RICS operates a Short-Term Incentive Plan (STIP) that rewards certain employees who are invited to participate, based on the delivery of corporate and financial targets and individual performance. The corporate and financial targets are reviewed and agreed by Management Board at the start of each financial year and are cascaded to all participants.

For 2017/18 the STIP was dependent on the actual financial performance achieved compared to RICS' Business Plan, and performance against corporate and personal objectives. Payments were subject to an overall financial underpin, such that no bonus is payable unless financial performance exceeds a threshold level. The STIP is subject to a claw back provision which allows the Committee to recover any amounts paid to any employee incorrectly as the result of a material misstatement and/or in cases of misconduct for up to 12 months after the payment of the bonus.

Although there were a number of significant achievements during the year, financial performance was slightly below the threshold set particularly on the commercial side. As a result the committee did not approve any payments under the STIP in 2017-18. However, following careful consideration the Committee decided to use its discretion to approve a discretionary recognition fund to be used to recognise specific achievements over the year of benefit to RICS and the wider profession. The fund was set at a modest level to ensure affordability. The pool will be distributed based on individual contribution and not all STIP participants will receive a payment.

The CEO's STIP is similarly dependent on the achievement of personal and corporate objectives. The personal objectives for the CEO are reviewed and agreed by the Chairman of the Management Board with a clear line of sight to the corporate objectives. The corporate objectives are reviewed and agreed by Management Board, at the start of the financial year, as part of the annual Business Plan process. The Chairman of the Management Board provided the Committee with his assessment of the CEO's performance and

recommended a rating to the Committee for approval. The Committee, taking into account the Chair's assessment and the Management Board's review of the corporate objectives approved the CEO's performance rating. The Committee provided the Management Board with a summary update for information.

In September 2018, the Committee agreed a discretionary award of £42,000 (equal to 16.7% of the CEO's salary for financial year 2017/18). This is below the bonus paid to the CEO in respect of financial year 2016/17 (£80,164 equal to 32.7% of his salary for financial year 2016/17). The discretionary award for the year ended 31 July 2018 was determined based on RICS' overall performance during the year as well as strong personal achievement and leadership of the CEO but significantly reduced to reflect financial performance that was slightly below threshold. The Committee is comfortable that the discretionary award appropriately reflects both organisational and personal performance for the year under review. This discretionary award was paid in October 2018.

For the CEO, the 2018/19 STIP will be structured in the same way as in 2017/18.

Long-Term Incentive Plan (LTIP)

The primary objectives of the LTIP are to incentivise the delivery of superior business performance and value increasing opportunities and serve as a retention tool in direct support of RICS' longer-term strategy to develop its global positioning as a professional body.

The first LTIP covered the performance period of 1 August 2013 to 31 July 2016 and was succeeded by LTIP 2, which covers the period 2016 to 2019. LTIP 2 will be self-funding. The relevant performance

metrics were set by the Management Board and have been monitored by the Committee on an annual basis during the performance period.

The relevant performance metrics are incremental to the stretch performance targets approved by the Management Board and include targets associated with the adoption of standards, venture collaboration, achieving operational targets at the School of Built Environment in India and broader global operational targets. Payments are also subject to three value underpins; specifically member and stakeholder satisfaction levels and employee engagement scores. For full payment to be achieved under LTIP 2, performance against RICS' growth objectives needs to be assessed at maximum in all areas and all three underpins need to be achieved. The growth objectives under the LTIP 2 are measured on a three-year cumulative basis and no payment will be paid under the LTIP 2 unless a £1,193,750 improvement in financial performance is achieved over the annual business plan targets.

The maximum payment available under the LTIP 2 is based on a percentage of the participants' three-year cumulative base salary. The LTIP is subject to a claw back provision, which allows the Committee to recover overpayments as a result of material misstatement and/or in cases of misconduct for up to 12 months after any payment is made.

The three underpins were achieved under the LTIP 2 for years one and two.

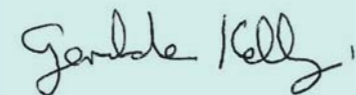
Risk, compliance and reporting

The Committee is aware of its responsibility to maintain effective risk management controls in relation to the remuneration policy. The Committee reviews the overall

policy, in particular the annual bonus and LTIPs, to ensure it continues to operate within RICS' overall risk framework.

During the financial year 2017/18 the Committee has conducted quarterly reviews of:

- the HR Risk Register, which is updated on an ongoing basis to document risks that have been identified and the mitigation actions that are being taken to minimise risk;
- the UK Gender Pay Reporting Regulations that came into effect in April 2017, the gender pay gap that has been identified at RICS and the actions that are being taken to address the gender pay gap; and
- the HR key performance indicators relating to recruitment, retention and development.



Geraldine Kelly
Chair, Remuneration Committee



Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the valuation, development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards - bringing confidence to markets and effecting positive change in the built and natural environments.

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