

Remuneration Report 2019

For the year ending 31 July 2019

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 ending 31 July 2019.

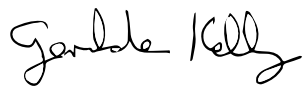
The Committee is composed of RICS-qualified professionals and independent non-executives with relevant experience. No serving executive is a member of the Committee. The aim of the Committee is to set a remuneration policy that is clearly aligned to RICS' strategic objectives as a 'Profit-for-Purpose' organisation, 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:

- Review of the Incentive Plan design – both the Long-Term Incentive Plan [LTIP] and Short-Term Incentive Plan [STIP] – to ensure that they continue to be closely aligned to the organisation's Business Plan and further enhance alignment with good practice
- Management and review of the Long-Term Incentive Plan 2016–19 [LTIP 2] for executives and key senior management roles, including the assessment of performance across all criteria in the final year, and payments made under LTIP 2 in accordance with its rules
- Assessment of performance against 2018–19 annual bonus targets
- Review and approval of the executive and all employee annual salary increases, effective from 1 August 2019
- Oversight of:
 - the HR key performance indicators in relation to recruitment, retention and development
 - the HR Risk Register
 - the 2018 UK Gender Pay Gap 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 by the Remuneration Committee and is presented on a voluntary basis.

Committee membership and responsibilities

During the year ending 31 July 2019, the Committee comprised the following members:

Geraldine Kelly	Independent Chair
Paul Marcuse	Chair, Management Board
Chris Fossick	Representative of the Profession
Tim Neal	President Elect
David Conroy	Independent Non-Executive Committee member until May 2019
Elizabeth Spencer	Independent Non-Executive Committee member

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, providing the Committee with both reward-specific and industry oversight.

All appointments to the Committee are made in accordance with the RICS Global Appointments Model.

The Chief Executive Officer (CEO), Chief People Officer (CPO) 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 advisers Mercer Limited, who were appointed by the 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 Chair 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
- Agreeing the percentage payout of the RICS annual Incentive Plan each year, which will be informed by business results and achievement against objectives
- 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 UK gender pay gap reporting obligations 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 Committee reports to the Management Board.

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 as a 'Profit-for-Purpose' organisation
- To set competitive total remuneration packages, in the short 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.

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 2019, the CEO's salary was £259,753.

For the year commencing 1 August 2019, the Committee awarded the CEO a salary increase of 1.73%, resulting in a salary of £264,250 per annum. This was within the range used to increase salaries for the UK-based workforce.

CEO's variable pay

Short-Term Incentive Plan: the CEO received a cash payment of £113,642 in respect of the 2018–19 STIP.

Long-Term Incentive Plan: the CEO received a cash payment of £136,676 in November 2019 in respect of the 2016–19 LTIP, the Committee having confirmed that the financial targets had been exceeded and all underpins had been met over the three-year performance period.

CEO's pension and benefits

The CEO receives a taxable cash allowance in lieu of an employer's pension contribution of 16% of basic salary.

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

- Car allowance
- Private medical insurance
- Annual health screening
- Group income protection
- Life assurance

Short-Term Incentive Plan (STIP)

RICS operates an 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 the Management Board at the start of each financial year and are cascaded to all participants.

For 2018–19 the STIP was based on a balanced scorecard of objectives that covered corporate measures (financial and non-financial) compared to the RICS Business Plan, alongside personal objectives. Payments were subject to an overall financial underpin, such as the condition 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 twelve months after the payment of the bonus.

There were a number of significant achievements during the year, namely that, of the 13 KPIs defined in the balanced scorecard:

- There was overachievement against 5 KPIs
- Another 5 KPIs were achieved in full
- 3 KPIs were not achieved.

Based on this assessment and considering that the operating surplus financial underpin was met, the Committee approved the recommendation that the overall company performance result against objectives at 80%, subject to independent verification of the achievement of the financial underpin by the Chair of the Audit Committee.

Long-Term Incentive Plan (LTIP)

The primary objectives of the LTIP are to incentivise the delivery of superior business performance and opportunities to increase value, and to 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 2016–2019 and was designed to 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 the following underpins:

- Threshold level of financial performance improvement
- Employee engagement survey results
- Satisfaction of the Profession survey results
- External stakeholder audit results

In summary, performance against venture collaboration and global operations measures was strong, with targets being significantly exceeded, resulting in the maximum payout against these metrics. However, targets against adoption of standards and the School of the Built Environment measures were not met. As such, the overall assessment equated to on-target performance, resulting in a payout of 36% of the maximum, which was approved by the Committee. The Committee noted that the total cost to RICS of the LTIP 2 scheme for this level of performance across all participants is £645k plus associated employer taxes of £90k, compared to the £2.5m of financial benefit derived from the performance criteria being met.

The maximum payment available under LTIP 2 is based on a percentage of the participants' three-year cumulative base salary. LTIP 2 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 the payment of the bonus.

From 2019–20, the STIP and LTIP will be replaced by a single incentive plan that will pay a mix of immediate and deferred rewards for achieving performance KPIs aligned to the objectives of RICS and the Business Plan. This is a simpler structure and has been designed to be broadly cost-neutral compared to the previous arrangements. Payments will remain subject to an affordability underpin.

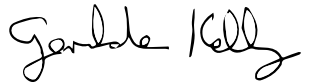
Risk, compliance and reporting

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 LTIP, to ensure it continues to operate within RICS' overall risk framework.

During financial year 2018–19 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
- UK gender pay gap reporting regulations, the gender pay gap that has been identified at RICS and the actions that are being taken to address the gender pay gap
- The HR KPIs relating to recruitment, retention and development.

Signed:



Geraldine Kelly

Chair, Remuneration Committee



We are RICS. Everything we do is designed to effect positive change in the built and natural environments. Through our respected global standards, leading professional progression and our trusted data and insight, we promote and enforce the highest professional standards in the development and management of land, real estate, construction and infrastructure. Our work with others provides a foundation for confident markets, pioneers better places to live and work and is a force for positive social impact.

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