



# RICS remuneration report 2021

For the year ending  
31 July 2021

CORPORATE REPORT






# Chair's introduction

On behalf of the Remuneration Committee ('the Committee'), I am pleased to present our remuneration report, which explains the role of the Committee, the policies it has implemented, and its activities relating to the financial year ending 31 July 2021. I formally took over from Geraldine Kelly as Chair of the Committee on 27 July 2021, following a transitional period over the preceding three months. On behalf of the Committee and RICS, I would like to thank Geraldine for all her work as Chair of the Committee over the past nine years and for the contribution that she has made during that time.

The Committee is composed of RICS-qualified professionals and independent non-executives with relevant global 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 an institution established for the public advantage, 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 five times and discussed a number of matters, including:

- review of the Executive Incentive Plan and the incentive plans for Partnership Development Managers and Customer Development teams, 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 Executive Incentive Plan 2020/21 for executives and key senior management roles, including the assessment of performance across all criteria and determination of payments made in accordance with its rules
- review and approval of the executive and all-employee annual salary increases, effective from 1 October 2021
- ratification of the departure terms for senior executives who left the organisation either in the year ending July 2021, or as a consequence of the Independent Review

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- providing views on senior management succession and development planning, executive benefit plans, and the strategic approach to reward for all RICS employees
  - oversight of:
    - the HR Risk Register where it relates to Reward
    - the 2020 UK Gender Pay Gap Report
  - external remuneration benchmarking for executives and key senior managers in the organisation, conducted with Mercer Limited, RICS' external, independent remuneration advisors.

When determining remuneration policies and practices, the Committee will consider the requirement for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture. In addition, the Committee continues to maintain an open and transparent policy with regards to remuneration and believes this remuneration report demonstrates this.

**Harriet Kemp**

**Chair, Remuneration Committee**

# Introduction

Although the Royal Charter status held by RICS does not require disclosure of executive reward, this report has been prepared by the Remuneration Committee on behalf of RICS for transparency in accordance with good corporate governance and is presented on a voluntary basis.

## Committee membership and responsibilities

During the year ending 31 July 2021, the Committee comprised the following members:

Geraldine Kelly	Independent Chair until 27 July 2021
Harriet Kemp	Independent Chair from 27 July 2021
Paul Marcuse	As Chair, Management Board (replaced on 8 October 2021 by Isobel O'Regan, Interim Chair, Management Board)
Chris Brooke	As Chair, Governing Council (replaced on 8 October 2021 by Nick Maclean, Interim Chair, Governing Council)
Elizabeth Spencer	Independent non-executive
Bhavna Sharma	Independent non-executive
Chris Fossick	Representative of the Profession

The independent non-executives are reward professionals who bring a wealth of experience from a wide variety of sectors and regions 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 and their perspectives on how RICS is functioning, enhancing the Committee's understanding of the industry and its reward practices.

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 advisors, Mercer Limited, who have been the Committee's advisors since July 2015. They were reappointed in April 2021 for a further two-year term until March 2023, following a full market review. 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. Mercer Limited also provides advice to the Finance Committee on RICS' defined benefit pension.

The terms of reference for the Committee are available on request from [governance@rics.org](mailto:governance@rics.org)

The Committee's main responsibilities are:

- setting the Remuneration Policy for RICS executives in line with the organisation's long-term strategy and overseeing the remuneration policy for all other employees
- reviewing and determining, at least annually, the terms of employment and remuneration package of the CEO, and reviewing the recommendations made by the CEO for the Executive Team
- reviewing the Chair of the Management Board's annual performance assessment of the CEO
- conducting an external market audit and recommending the annual pay budget available to the organisation for salary reviews
- approving the level of incentive payout of the RICS Executive Incentive Plan each year, which will be informed by business results and achievement against objectives, subject to final audited numbers and the Committee's overall assessment of the organisation's performance
- approving the individual annual incentive payments for the CEO and other members of the executive team
- providing views on senior management succession and development planning, executive benefit plans, and the strategic approach to reward for all RICS employees to the CEO and Chair of the Management Board
- determining the remuneration for the independent non-executives, by completing periodic reviews and approving remuneration for any new roles
- 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 along with other current and developing ESG priorities
- regularly undertaking a review of the Committee's performance.

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 an institution established for the public advantage
- 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 lead 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 the promotion of good corporate governance.

When setting executive remuneration packages, the Committee will use external benchmarking data from different sources. The Committee considers remuneration packages against those 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.

# Executive Incentive Plan

RICS operates a global Executive Incentive Plan, which rewards eligible employees for the achievement of performance against a balanced scorecard of KPIs aligned to the objectives of RICS and its Business Plan, and their own personal objectives. Certain financial thresholds must be achieved prior to any payment being made and all payments are subject to an affordability underpin. In addition, the Committee retains the discretion to adjust the calculated level of payments up and down.

The corporate and financial targets are reviewed and agreed in conjunction with the Management Board at the start of each financial year and are cascaded to all participants.

The KPIs are generally focused on the strategic priorities of the profession and the firms and individuals that operate within it. As such, financial objectives have a lower weighting than would be the case in a purely profit-driven organisation.

## Executive Incentive Plan 2020/21 performance outcomes

In line with the overall structure of the Executive Incentive plan, the Plan for 2020/21 was dependent on the actual financial performance achieved compared to RICS' Business Plan, and performance against corporate and personal objectives. The financial underpin, which was based on the COVID-19 Recovery Performance Challenge, was achieved.

Prior to making any decision on any payment for 2020/21, the Committee was taken through the financial numbers that confirmed that the underpin had been met and also had access to very detailed reports on the achievement levels of the KPIs in the scorecard. Based on the information and the input from the Interim CEO and Interim COO, the Committee concluded that the proposed level of achievement of 71% against a target of 80% had been achieved without any windfall gains.

The Committee noted the ongoing challenging business environment for RICS and considered Mercer's updates on the market/other companies and updates from other committee members with relevant sector experience in relation to the difficult decisions facing businesses in relation to both base pay and incentives.

The Committee also considered and debated extensively the following factors in reaching a decision including:

- the fact that UK Furlough loans were now going to be repaid
- that those receiving a bonus had worked very hard through a difficult period and would now be carrying forward the responsibility for rebuilding trust with stakeholders
- the average bonus for individuals outside the executive team is £7,700
- morale is low in the organisation
- while there has been criticism from members about the level of bonus payments historically, this has been primarily directed at the former CEO
- no awards would be made to the CEO, CPO, Executive Director Brand & Communications or the General Counsel, all of whom left the business in 2021
- the COO had left the business before the end of the financial year and as such had forfeited any right to a bonus payment for 2020/21.

Taking all the information and data into consideration, the Committee approved incentive plan awards totalling £625k to be made under the Executive Incentive Plan 2020/21 in line with the calculated level of payout. Due to subsequent departures the actual total figure to be paid will be £534k, of which £494k has been paid as of January 2022. This incentive plan award applies to 62 members of staff.

For the Executive Team, and three legacy participants from the former bonus plan, an additional 50% of their initial payment is awarded but deferred for two years. The deferred portion is subject to the achievement of certain performance conditions and executives must be employed by the business and not under notice at the time of payment to receive it. Specifically for payments under the 2020/21 incentive plan, 50% of the initial payment will also be postponed until the outcome of the forensic accounting review is known and this 50% is at risk, pending the outcome of that review.

The Chair of the Audit Committee, having consulted the Chair of the Finance Committee, verified that there was no issue in relation to affordability on the incentives that the Committee approved.

These incentive plan arrangements will form part of the external independent review of senior reward, recommended by Alison Levitt QC, which is being undertaken during 2022.



# Annual salary review, salary anomalies and flight risk

The Committee agreed that it was important for the retention and engagement of employees, particularly given the cancellation of last year's annual salary review, to review and increase salaries for all employees where appropriate on 1 October 2021.

It consequently approved a budget of £495k for performance-based salary increases for those employees who were not in the Executive Incentive Plan 2020/21. The Committee agreed with RICS' decision that it would be inappropriate to make salary increases to any employee who is a member of the Executive Incentive Plan, due to the continuing cost challenges to the business.

The Committee also agreed an additional budget of £290k to address specific salary anomalies that could not realistically be addressed through the annual salary review budget (c.2% globally); namely issues of gender parity, employees who had taken on significant additional responsibilities, employees previously promoted but with no pay increase at that time, employees paid significantly less than their peers, and adjustments to salaries which were significantly below market (80% of the median of the salary range).

The Committee also agreed lock-in bonus payments of 5% or 10% to be paid in July 2022 for 12 key individuals who were deemed serious flight risks, with a total cost of £110k.

# CEO remuneration

## Base salary

For the year to 31 July 2021, the CEO's notional salary was £264,250. The CEO had volunteered a salary reduction of 15% to £224,825 for a six-month period commencing 1 May 2020, in response to the cost challenges to the business resulting from the COVID-19 pandemic. His total salary paid for the year to 31 July 2021, therefore, was £254,341. This was the same as the previous year, three months of the reduction period falling into each year. His salary was restored to £264,250 on 1 November 2020 and remained at this level until his departure from the organisation on 9 September 2021.

## Pension and benefits

The CEO received a taxable cash allowance in lieu of an employer's pension contribution of 16% of basic salary. In addition, the following group funded benefits were provided in line with typical market practice: car allowance, private medical insurance, annual health screening, Group income protection and life assurance.

## Termination agreement

The CEO left the business on 9 September 2021. All benefits and salary ceased as of that date. He received his normal salary and benefits and a sum in respect of outstanding holiday pay up until that date. His pay in lieu of notice was calculated on his base salary and not the customary total remuneration including allowances and pension contributions; a £30,000 tax free payment was made, approximately equating to these allowances and benefits. He was also made a one-off payment of £9,000 in lieu of private medical insurance. He received no payment under the 2020/21 Executive Incentive Plan and forfeited any deferred payments that had not yet been paid.

## Departure terms for other executives

The Committee approved the departure terms for a number of other executives who resigned from RICS during the 2021 calendar year. In all cases, no payments were made under the 2020/21 Executive Incentive Plan and any deferred payments were forfeited.



## External independent review of executive remuneration

As a consequence of the findings of the Independent Review, Governing Council has commissioned an external, expert-led review of the senior executive structure and reward. This will be carried out during 2022 and will be reported on in next year's report.

## Succession planning

The Committee understands that succession planning at Executive level is a key area of focus for the organisation to ensure leadership continuity and to retain and develop knowledge while encouraging individual employee growth and development. The Committee received updates on succession planning through the year from the CEO and noted the satisfactory progress being made.

## 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 Executive Incentive Plan, to ensure it continues to operate within RICS' overall risk framework.

During financial year 2020–21 the Committee has conducted periodic 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.



Harriet Kemp

Chair, Remuneration Committee

## Delivering confidence

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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