

# Remuneration Report 2020

For the year ending 31 July 2020



## 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 2020.

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 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 five times and discussed a number of matters, including:

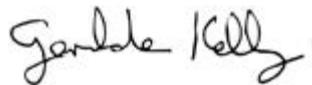
- Review of the Incentive Plan to ensure that it continues to be closely aligned to the organisation's Business Plan and further enhance alignment with good practice
- Management and review of the Incentive Plan 2019/20 for executives and key senior management roles, including the assessment of performance across all criteria, and payments made in accordance with its rules
- Review of the executive and all employee annual salary increases which would normally be effective from 1 August 2020
- 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 key performance indicators in relation to recruitment, retention and development
- the HR Risk Register
- the 2019 UK Gender Pay Gap Report and

- External remuneration benchmarking 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 2020, the Committee comprised the following members:

Geraldine Kelly	Independent Chair
Paul Marcuse	Chair, Management Board
Chris Brooke	Interim Chair, Governing Council, member since December 2019
Chris Fossick	Representative of the Profession
Tim Neal	President Elect, member until November 2019
Elizabeth Spencer	Independent Non-Executive Director
Bhavna Sharma	Independent Non-Executive Director since December 2019

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, 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 was subsequently extended for a further two years until 31 August 2020 and then again until December 2020 due to the advent of COVID-19. 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](mailto: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
- 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 plans, and the strategic approach to reward for all RICS employees
- 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 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' organization
- 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 RICS' policy to promote 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 replaced its Short and Long Term Incentive Plans in 2019 with an Executive Incentive Plan, which, like the previous Plans, rewards certain employees who are invited to participate, with 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 remain subject to an affordability underpin which, despite the challenges created by COVID-19, excluding any government support, was achieved in 2019-20.

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.

The performance objectives are generally focused towards 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.

In 2019-20, there was strong performance against most of the performance objectives; in addition, the Committee was aware of significant achievements in pivoting the business and taking timely actions to maintain cash flow and successful operations. Nevertheless, the Committee noted the ongoing challenging business environment for RICS, that some of the workforce was furloughed, that a redundancy consultation is underway and that many member businesses have been significantly impacted. It also took into account Mercer's updates on actual and expected variable pay outcomes in the market and updates from Committee members with relevant sector experience in relation to the difficult decisions facing their businesses in relation to both base pay and incentives.

Taking all this into consideration, the Committee determined that it was appropriate and defensible to pay some element of the incentive. However, the Committee noted that like many Remuneration Committees, it needed to use discretion in relation to both the quantum and the timing of payments. The Committee therefore approved an aggregate reward pool of £500k (including Social Security costs) for the 94 participants in the Plan. This is significantly below the formulaic outcome, the payment for on-target performance and the amounts paid in 2019. The Committee also approved a deferred award of £600k (including Social Security costs) to be paid in 2022. The deferred award will be allocated to the eligible participants in the Plan for payment in 2022 and is subject to certain performance conditions.

The Chair of the Audit Committee, having consulted the Chair of the Finance Committee, has verified that there is no issue in relation to affordability (see note 1) on the incentives that the Committee approved.

1. In the context of affordability, this assessment was made in October 2020 and restricted to a consideration of the impact of any bonus payments on the Revolving Credit Facility and adherence to banking covenants contained therein. The projected cash flows showed, at the time, there would be a need to utilise the facility to pay the bonus. This assessment will be updated before any future payment of deferred bonus.

## CEO's base salary

For the year to 31 July 2020, the CEO's salary was originally set at £264,250. The CEO, however, 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 2020, therefore, was £254,341, a reduction of 2.1% over the previous year. His salary was restored to £264,250 on 1 November 2020.

For the year commencing 1 August 2020, the Committee agreed with RICS' decision that it would be inappropriate to make salary increases to any employees due to the cost challenges to the business.

## CEO's variable pay

Executive Incentive Plan: the CEO received a cash award of £73,911 in respect of the 2019–20 Plan, to be paid in January 2021; this was in accordance with the agreed bonus pool. The CEO also received an award of £189,720 in respect of the deferred element of the Plan, payable in 2022 subject to performance conditions continuing to be met in the interim; this represents the full calculated amount under the Plan Rules.

## 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 and life assurance.

## 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.

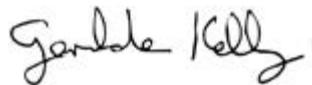
## Risk, compliance and reporting

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

During financial year 2019–20 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
- The HR KPIs relating to recruitment, retention and development.

Signed:



Geraldine Kelly

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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