

Remuneration Committee Annual Report 2018/19

Introduction

The Remuneration Committee is responsible for determining the Reward Strategy of the University and for setting the remuneration of the Vice-Chancellor and other members of the Vice-Chancellor's Executive Group (VCEG).

The terms of reference of the Committee, which include a list of post holders within the remit of the Committee, were reviewed and updated by the Committee in 2018 to take account of the University Chairs' Remuneration Code.

Membership 2018/19

The membership of the Committee is composed entirely of independent members of Council. The Committee is chaired by a Pro-Chancellor, and includes the Chair of Council and three other independent members of Council, including the Dual Assurance lead for Equality and Diversity and Human Resources. The Vice-Chancellor is not a member of the Committee. No member of staff is present for the discussion of their own remuneration or when the Committee makes decisions on the reward of members of the Vice-Chancellor's Executive Group.

Meetings 2018/19

The Committee met five times during 2018/19. The attendance of members at meetings was as follows.

	Eligible to attend	Actually attended
Richard Atkins	5	5
Sarah Turvill	5	5
Sarah Buck	5	5
Judy Hargadon	5	4
Kiron Farooki	5	5

Summary of meetings in 2018/19

October 2018

At the beginning of the year, the Committee reviewed and approved the institutional and personal targets for 2018/19 under the Executive Performance Reward Scheme.

The Committee agreed its annual report for 2017/18 and its and its schedule of work for 2018/19.

The Committee reviewed the achievement of the institutional and personal objectives for members of the Vice-Chancellor's Executive Group which had been agreed for 2017/18. Taking account of these assessments, the Committee made decisions on the percentage of performance related reward which should be paid to VCEG members under the Executive Performance Reward Scheme to recognise the achievement of personal objectives. An interim award was agreed for the achievement of institutional objectives.

December 2018

The Committee concluded its review of the achievement of institutional objectives for 2017/18 and agreed the final award for the achievement of institutional objectives.

March 2019

The Committee considered new protocols for its annual cycle of meetings, roles and responsibilities, the annual review of salaries of members of the Vice-Chancellor's Executive Group and its schedule of delegation. The Committee also considered recent communications from HM Revenue and Customs sent to all universities on the taxation of Vice-Chancellors' accommodation.

June 2019

The Committee agreed the new protocols discussed in March.

After reviewing its Policy on Pension Taxation, the Committee agreed to extend the suspension of the scheme for a further 12

months.

The Committee reviewed and revised its Executive Reward Policy.

The Committee considered the proposed institutional targets for 2019/20.

The Committee received a report on external work undertaken by for senior executives in 2018/19.

The Committee reviewed the base salaries of members of the Vice-Chancellor's Executive Group, taking account of benchmarking data from the universities sector,, affordability and performance.

September 2019

The Committee reviewed the achievement of the institutional targets and personal objectives for members of the Vice-Chancellor's Executive Group which had been agreed for 2018/19. Taking account of these assessments, the Committee made interim decisions on the percentage of performance related reward which should be paid under the Executive Performance Reward Scheme to recognise the achievement or otherwise of these institutional and personal objectives.

The Committee agreed the personal and institutional performance targets for 2019/20 under the Executive Performance Reward Scheme.

The Committee reported in detail to Council at its meeting in October 2019.

Approach to Remuneration

Reward Strategy

The University's Reward Strategy is designed to motivate our key leadership talent to achieve the University's strategic objectives, to deliver an outstanding experience for our students, to drive forward our internationally focused research and to lead and inspire our academic and Professional Services employees. The Committee has agreed an Executive Reward Policy which takes account of the requirements of the Office for Students and the Committee of University Chairs' Remuneration Code. This was last reviewed and updated in June 2019.

Institutional Performance: Context

The University's strategy for 2016-2021 (*Making the Exceptional Happen*) sets out ambitious plans to grow the University by increasing our research volume, quality and impact, delivering an internationally exceptional educational experience to a more diverse and international student body and to raise the University's international reputation so that we become a sustainable Global 100 research institution. The strategy outlines our goals to build research power to tackle global challenges, deliver an internationally excellent education, create an impact regionally, national and globally, support our people to make the exceptional happen, and make the most of our resources. The University is planning to achieve these challenging targets in an increasingly competitive environment both in the UK and internationally. There is significant global competition for the very best students and academic experts. We are also operating within an environment of financial uncertainty, competing with other research intensive Universities for limited research funding and managing the uncertainties of Brexit. We will continue to measure our progress towards the achievement of our aims within the UK and international markets by the use of performance metrics, including maintaining and improving our standing in the main global and UK league tables.

Institutional Performance 2018/19

The University's achievements in 2018/19 are detailed in the "How we performed" section of the Annual Report.

Remuneration Decisions

The Committee reviewed the remuneration of members of the Vice-Chancellor's Executive Group in accordance with the Committee's Executive Reward Policy and agreed increases to basic salary for 6 (of the 17) members, increasing the total cost of the basic salaries of the Vice-Chancellor's Executive Group by 1.4%.

The Executive Performance Reward Scheme recognises both institutional performance and personal performance. Under the

Executive Performance Reward Scheme members of VCEG are eligible for a performance related payment of up to 20% each year. To recognise institutional performance – since all senior managers have a shared responsibility in the success of the University – half of the potential performance related payment is subject to the University achieving a range of institutional targets. The other half is subject to the achievement of personal performance objectives, including how these are achieved, as well as what is achieved. 17 members of the Vice-Chancellor's Executive Group were eligible for payments in 2018/19.

In reaching decisions on payments under the Executive Performance Reward Scheme in respect of institutional and personal performance in 2018/19, the Committee took account of the following criteria judged against the targets agreed by the Committee at the beginning of the year:

- Culture, inclusivity and engagement
- NSS performance
- International and PGR new student numbers
- Research performance including income and awards and progress towards REF 2021 targets
- Reputational indicators (ie UK and international league tables)
- Financial performance including fundraising
- Achievement of the Digital Strategy.

Since full information on 2019 international student recruitment numbers was not available at the time of the end of year review by the Committee, the Committee agreed to make an interim payment of 5% (of the potential 10%) for the achievement of institutional objectives. The Committee may agree a further payment at its meeting in December 2019 when full information on student numbers for 2019/20 is available. The Committee agreed an average of 7.6% (of the potential 10%) for the achievement of personal objectives.

Vice-Chancellor and Chief Executive

Professor Sir Steve Smith has led the University of Exeter as Vice-Chancellor since 2002. The role of Vice-Chancellor as Chief Academic Officer and Chief Executive of the institution is a complex and challenging one, requiring not only excellent administrative and people skills to deal with the wide range of stakeholders which exist in every university, but also has a comprehensive insight into the future of higher education. Sir Steve is an outstanding leader.

During his tenure the University has been transformed into one of the UK's leading research intensive universities. In 2002 the University of Exeter was 34th in the national league tables and today is in the top 12 in the UK and top 150 universities in the world. In the 2014 Research Excellence Framework, the University saw the third highest increase in QR funding in the UK, and has moved from 38th to 12th in terms of Research Council awards. Also under his leadership, Exeter has become a member of the Russell Group of leading UK research intensive universities, it has established the University of Exeter Medical School – one of the most successful new Medical Schools in the country and has become recognised as one of the best teaching and research universities in the country with a Gold rating for teaching excellence.

Since 2002 the University's turnover has increased from £85m to £449m and has grown from an institution of 12,000 students and 2500 staff to 23,600 students and 5300 staff today. Significant in this growth has been the establishment of the Penryn campus in partnership with Falmouth University and the enormously successful expansion of our activities in Cornwall over the last fourteen years.

Sir Steve's considerable leadership experience as one of the UK's longest serving Vice-Chancellors enables him to act as an ambassador for the University, and UK higher education in general, both within the UK and globally. As a Board Member of both Universities UK and the Russell Group, he contributes to the development of higher education

in the UK. Locally, he is a Board Member of Heart of the South West Local Enterprise Partnership, promoting the University's contribution to the local economy. The University injects £1.1 billion into the local economy, creating 11,000 jobs, fuelling business and research, and sponsoring and supporting local schools.

Decisions on the reward of the Vice-Chancellor are made by the University's Remuneration Committee taking account of the achievement of strategic goals, the institution's national and international rankings and his performance against key performance metrics. Sir Steve's remuneration reflects his contribution to the success of the University and his higher education leadership experience.

In reviewing the performance of the Vice-Chancellor in 2018/19, the Committee noted that he has continued to lead the University in an exemplary manner during a challenging year. The University's research income has grown to £87 million and our REF 2021 plans are on target. We rose to 10th in the 2020 Guardian league table, and to 24th in the world in the Leiden Rankings for the proportion of papers in the top 10% most cited. The new Academy for Nursing in the College of Medicine and Health has been launched successfully. We have secured £10.5 million funding from Research England and South West Water for The Centre for Resilience in Environment, Water and Waste (CREWW), a pioneering new collaborative research centre, designed to solve some of the most pressing global environmental challenges of our time. A collaboration between the University of Exeter and partner education institutions in the region for a new Institute of Technology for the South West has also been successful. The Medical Research Council (MRC) Centre for Medical Mycology has moved from Aberdeen to join with existing Exeter scientists to create one of the largest groups of mycology (fungal research) experts in the world. The University achieved its EBITDA target and exceeded the target for philanthropy. We continue to improve the diversity of our senior staff and we are now implementing the recommendations of the

Provost's Commission to address unacceptable attitudes and conduct. The Vice-Chancellor has also continued to pay a leading role nationally and internationally on behalf of the higher education sector. He has built a strong leadership team.

Details of the remuneration of the Vice-Chancellor is summarised in Note 7 of the Financial Statements and below. The Committee made no change to the base salary of the Vice-Chancellor this year.

The remuneration received by the Vice-Chancellor in 2018/19 was:

- a base salary of £315,000;
- an allowance in lieu of employer pension contributions;
- a performance award (under the Executive Performance Reward Scheme) of 13% (out of a potential 20%) in respect of institutional and personal performance in respect of 2017/18.

The University pays an annual subscription to provide space for business meetings held by the Vice-Chancellor when he is in London. It is necessary for the subscription to be in the name of the Vice-Chancellor and HM Revenue and Customs require this to be taxed. The cost to the University in the financial year 2017/18 was £2034.

The University requires the Vice-Chancellor to occupy accommodation on the University campus. Since this accommodation is provided for the better performance of his duties, this is not treated as a benefit in kind. The accommodation is comprised of private living accommodation and space for business use. If the property was rented out privately, the income to the University (for the proportion of the property which is apportioned to the Vice-Chancellor's private living accommodation) would be approximately £12,000.

Full details of the long-term performance reward and retention arrangements for Professor Sir Steve Smith were given in the Committee's 2017/18 Annual Report.

The ratio between the Vice-Chancellor's reward and that for other employees

(excluding casual workers) is shown in the table below. (Note: it has not been practical for the University to include casual workers or agency workers in these pay ratio calculations since the data which is available does not enable the University to accurately calculate a full-time equivalent rate for all casual

workers and agency workers.) The pay ratio figure encompasses all University employees, including academic and professional services staff. Unlike some other higher education institutions, the University of Exeter has not contracted out services on a significant scale.

Ratio between the Vice-Chancellor's	2018/19 ratio	2017/18 ratio
Basic salary and the median basic salary of all other employees at 31 July 2019	10.36	10.57
Total reward in 2018/19 and the median total reward of all other employees at 31 July 2019 (excluding casual workers and non-cash benefits, but including employer pension contributions)	9.83	10.50
Total reward in 2018/19 including the value of the accommodation provided to the Vice-Chancellor and the median total reward of all other employees at 31 July 2019	10.12	10.80

External appointments

The Committee has agreed a policy on External Work for senior executives.

The Vice-Chancellor serves on the following external bodies with the approval of the University Council. He does not receive any remuneration for this external work.

- Chair of UCAS (until July 2019)
- Board Member of Heart of the South West Local Enterprise Partnership
- Board Member of the Russell Group
- Board Member and Chair of the International Policy Network of Universities UK
- Trustee of the Education and Employers Task Force

Expenses

All expenses paid to members of the Vice-Chancellor's are in furtherance of the business of the University and comply with the University's expenses policy and Entertainment, Hospitality and Gifts Policy.

Richard Atkins
Chair of the Remuneration Committee