



## Annual Report of Remuneration Committee for 2019/20

### 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<sup>1</sup>, 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 Committee of University Chairs' Remuneration Code.

### Membership 2019/20

The membership of the Committee is comprised entirely of independent members of Council. The Committee is chaired by a Pro-Chancellor and the Chair of Council is also a member. 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 2019/20

The Committee met seven times during 2019/20. The attendance of members at meetings was as follows.

	Eligible to attend	Actually attended
Richard Atkins	7	7
Sarah Turvill	7	7
Sarah Buck	7	7
Salam Katbi	7	6
Graham Cole	4	4
Kiron Farooki	1	0

### Summary of meetings in 2019/20

#### October 2019

At the beginning of the year, the Committee reviewed and approved the personal targets for 2019/20 under the Executive Performance Reward Scheme. The Committee also reviewed the proposed institutional targets for 2019/20.

The Committee agreed its annual report for 2018/19 and its schedule of work for 2019/20.

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 2018/19. Taking account of these assessments, the Committee made decisions on the percentage of performance related reward which should be paid under the Executive Performance Reward Scheme to recognise the achievement of personal objectives. An interim award was agreed for the achievement of institutional objectives.

#### November 2019

A special meeting was held to agree the salary of the new Vice-Chancellor, Professor Lisa Roberts.

#### December 2019

The Committee approved the final institutional targets for 2019/20. The Committee concluded its review of the achievement of institutional objectives for 2018/19 and agreed the final award for the achievement of institutional objectives. The Committee reviewed its effectiveness against CUC recommendations and agreed that a further external review should be commissioned in 2020/21. The Committee also reviewed the revised reporting requirements set out in the Office for Students Accounts Direction for 2019/20.

#### March 2020

The Committee reviewed the annual reports made by the Remuneration Committees of other Russell Group institutions. The Committee considered a paper on the changes to pension taxation announced in the recent budget. The Committee considered a paper on the Executive Performance Reward Scheme and the gender bonus gap.

#### May 2020

A special meeting was held to consider a proposal by members of the Vice-Chancellor's Executive Group to reduce their level of reward in 2019/20 by the equivalent of 20% of four months' salary in recognition of the impact of the Coronavirus pandemic on the University. The Committee agreed the proposed reductions.

#### June 2020

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

The Committee received a report on the Executive

Performance Reward Scheme and agreed that it would review the operation of the scheme in 2020/21 at its meeting in September 2020.

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

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

#### July 2020

A special meeting was held to review the performance of the Vice-Chancellor under the long-term performance incentive scheme for the period 2013-2020. The Committee also received a report on the progress of negotiations with trade unions regarding staff cost savings. In line with the proposed agreement with trade unions, it was agreed that the Executive Performance Review Scheme would be reviewed in January 2021, in consultation with the new Vice-Chancellor, when the financial position of the University is clearer.

#### September 2020

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 2019/20. Taking account of these assessments, and the decision made by the Committee in May 2020, the Committee made decisions on the performance rewards which should be paid under the Executive Performance Reward Scheme to recognise the achievement of these institutional and personal objectives.

The Committee discussed the Executive Performance Reward Scheme with the new Vice-Chancellor.

In October 2020, the Committee reported in detail to Council in line with its commitment to accountability, governance and transparency.

### **Approach to Remuneration**

#### **Reward Strategy**

The University's Reward Strategy is designed to motivate our key 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. Taking account of the requirements of the Office for Students and the Committee of University Chairs' Remuneration Code, the Committee has agreed an Executive Reward Policy<sup>2</sup>. This was last reviewed and updated in June 2019. The Committee is planning to undertake a further review in 2020/21.

#### **University Context**

The University's current corporate strategy, (Making the Exceptional Happen 2016-2021<sup>3</sup>) sets

out ambitious plans 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 has set 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 considerable financial uncertainty, competing with other research-intensive Universities for limited research funding, managing the uncertainties of Brexit and now the Coronavirus health pandemic.

The pandemic has had a significant effect on the University in the 2019/20 financial year. Its full impact is likely to be felt in 2020/21 and will probably continue for a number of years to come. The leadership of the University, working with its governing body, has established revised governance arrangements and action plans to steer the University through the challenges which the pandemic has caused. Inevitably, this has meant that some of our goals for 2019/20 and beyond have had to be modified, while continuing to aim for the overall trajectory set out in our University strategy.

We will continue to measure our progress towards the achievement of our aims within the UK and international markets using performance metrics.

### **Institutional Performance 2019/20**

The University's achievement in 2019/20 are detailed in the "How we performed" section of the Annual Report

### **Remuneration Decisions**

The Committee reviewed the base salaries of members of the Vice-Chancellor's Executive Group, in accordance with the Committee's Executive Reward Policy, taking account of market data, affordability and performance. Taking account of the impact of the Coronavirus pandemic, the Committee agreed that there should be no changes to basic salary for members of Vice-Chancellor's Executive Group in the financial year beginning August 2020, with the exception of one member where an increase was agreed to recognise an increase in responsibility and to ensure parity with other roles.

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. 18 members of the Vice-Chancellor's Executive Group were eligible for payments in 2019/20.

At the special meeting in May 2020, the Committee agreed to a proposal from the Vice-Chancellor's Executive Group to reduce their level of reward in 2019/20 by the equivalent of 20% for four months in recognition of the impact of the Coronavirus pandemic on the University.

In reaching decisions on payments under the Executive Performance Reward Scheme in respect of institutional and personal performance in 2019/20, the Committee took account of the targets agreed by the Committee at the beginning of the year (recognising that many of these had been impacted by the pandemic):

- International and PGR new student numbers
- NSS performance
- Research performance including income and awards and progress towards REF 2021 targets
- Reputational indicators (ie UK and international league tables)
- Financial performance including fundraising
- Culture, inclusivity and engagement
- Achievement of the Digital Strategy
- A reduction in carbon emissions, in line with University's Climate Emergency Action Plan.

The Committee agreed an average payment of 16.7% (of the potential 20%) for the achievement of personal and institutional objectives in 2019/20. The Committee agreed to a proposal by the Executive Group that their performance reward payments should be reduced by an amount equal to 20% of their total potential reward for 4 months in the light of the potential financial difficulties the University faced as a result of the Coronavirus pandemic.

### **Vice-Chancellor and Chief Executive**

Professor Sir Steve Smith has led the University for the last 18 years since his appointment as Vice Chancellor and Chief Executive in 2002. Through his outstanding leadership, the University has been one of the fastest growing and most successful higher education institutions in the UK. During the period of his leadership, the University has substantially increased its position in national and international league tables, has become one of the UK's leading research intensive universities and a member of the Russell Group. It has achieved a Gold rating for teaching excellence.

Since 2002 the University's turnover has increased

from £85m to £478m and it has grown from an institution of 12,000 students and 2500 staff to 25,260 students and 6200 staff today. Significant in this growth has been the establishment of the Penryn campus in partnership with Falmouth University with the enormously successful expansion of our activities in Cornwall and the establishment of the University of Exeter Medical School.

The role of Vice Chancellor 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 a comprehensive insight into the future of higher education. Sir Steve has these skills in abundance and has been an outstanding leader.

His considerable leadership experience as one of the UK's longest serving Vice-Chancellors has enabled him to act as an ambassador for the University, and UK higher education in general, both within the UK and globally. In recognition of this he was appointed to the Government's University Research Sustainability Taskforce and subsequent to his retirement as the Government's International Education Champion. As a Board Member of both Universities UK and the Russell Group, he has contributed to the development of higher education in the UK. Locally, he is a Board Member of Heart of the South West Local Enterprise Partnership and chairs the Liveable Exeter Place Board. The University injects £1.1 billion into the local economy, creating 11,000 jobs, fuelling business and research, and sponsoring and supporting local schools.

Sir Steve's remuneration reflects his contribution as leader to the success of the University, his higher education leadership experience and his consistent outstanding performance.

Decisions on the reward of the Vice-Chancellor are made by the University's Remuneration Committee (which is comprised of independent members of the University's Governing Body) taking account of the achievement of strategic goals, the institution's national and international rankings and his performance against key performance metrics. Professor Sir Steve Smith's remuneration during 2019/20 reflected his contribution to the success of the University and his higher education leadership experience. He has not had any increase to his base salary since 2015.

As can be seen from the table below, his annual remuneration in the year ended 31 July 2020 was £33,000 lower than in the previous year, principally because he, as well as his colleagues on his Executive Group, volunteered to reduce their remuneration by an amount equal to 20% of their total potential reward for 4 months through a reduction in their performance reward payments in the light of the potential financial difficulties the

University faced as a result of the Coronavirus pandemic. The Remuneration Committee resolved that he had earned 17% of a possible 20% under the Executive Performance Reward Scheme. This would have resulted in a payment of £53,550 but was reduced by the amount of £25,200.

However in July 2020, the Vice-Chancellor was also entitled to a payment earned over a seven year period under his Long Term Incentive Scheme. This scheme was put in place in 2013 by the Remuneration Committee in order to secure Sir Steve's continued exceptional leadership of the University through a period of major development and change to cover the period up to his retirement. This provided for an additional payment of up to 10% of his salary each year, subject to his achieving challenging targets over the period 2013-2020 and remaining in office until his retirement. In the event of him leaving the university before 2020, no payment would have been due. The maximum potential payment he was eligible to receive was £210,000. In July 2020, the Remuneration Committee conducted a careful and detailed review of performance against each of the targets and agreed to make a payment of £185,200 (87.5% of the eligible payment) recognising Sir Steve's exceptional level of performance over the seven year period.

Sir Steve retired on 31 August 2020 after 18 years leading the University as Vice-Chancellor.

<b>Emoluments of the Vice-Chancellor</b>	<b>2019-20 (£000)</b>	<b>2018-19 (£000)</b>
Salary and allowances	315	315
Performance related remuneration 2019/20	28	52 <sup>4</sup>
Pension contributions and payments in lieu of pension contributions.	51	51
Other taxable benefits	5	2
Other non-taxable benefits (note)	0	12
<b>Total Emoluments</b>	<b>399</b>	<b>432</b>
Long-term retention and performance incentive scheme	185	N/A

### Other Benefits

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 2019/20 was £2133.

During 2019/20, the Committee agreed to waive

the contractual requirement to occupy accommodation on the University campus. In previous years this has been reported as a non-taxable benefit. Following a change in HMRC policy, from April 2019, this is now treated as a benefit in kind. The University decided to meet the additional tax charge at a cost of £3,180.

### Pay Ratios

The Office for Students has amended its methodology for calculating pay ratios for the 2019/20 reporting year. It is now necessary to include anyone paid during the financial year, including workers engaged on an occasional basis and both leavers and their replacements, irrespective of how long they worked during the year. The figures for 2018/19 have been re-calculated on this revised methodology. Total pay includes employer pension contributions/allowance in lieu of employer pension contributions and taxable benefits. Pay for part-time and hourly paid workers have been pro-rated up to the full-time equivalent. Unlike some other higher education institutions, the University of Exeter has not contracted out services on a significant scale. Based on the OfS methodology:

- The ratio between the Vice-Chancellor's basic salary and the median basic salary of all other persons employed by the University in the 2019/20 financial year, including workers engaged on an occasional basis, is 10.5. (2018/19: 8.9)
- The ratio between the Vice-Chancellor's total reward in 2019/20 (which includes payment of the Long-Term Performance Incentive Scheme for 2013-2020) and the median total reward of all other persons employed by the University in the 2019/20 financial year, including workers engaged on an occasional basis, is 17.0. (2018/19: 12.1). When the Long-Term Performance Incentive Scheme is excluded, the figure is 11.8 (2018/19: 12.1).

The figures excluding leavers and workers engaged on an occasional basis are:

- The ratio between the Vice-Chancellor's basic salary and the median basic salary of all other persons employed by the University in the 2019/20 financial year is 8.8. (2018/19: 9.8)
- The ratio between the Vice-Chancellor's total reward in 2019/20 and the median total reward of all other persons employed by the University in the 2019/20 financial year is 14.1. (2018/19: 11.4).

The University regards the methodology recommended by the University and Colleges Employers Association (UCEA) as a more appropriate measure for pay ratios. This takes account of all elements of pay, expressed as a full-time equivalent annual salary excluding employer pension contributions and any other benefits,

including those in kind. The median total earnings of all staff employed included in the HESA staff return for the year, excluding workers engaged on an occasional basis, based on full-time equivalent annual salary and other elements of pay including market supplements. Based on the UCEA methodology, the ratio between the Vice-Chancellor's total reward in 2019/20 (which includes payment of the Long-Term Performance Incentive Scheme for 2013-2017) and the median total reward of other employees is 12.3. (2018/19: 8.4)

### External appointments

The Committee had agreed a policy on External Work for senior executives<sup>5</sup>.

During 2019/20, the Vice-Chancellor served on the following external bodies with the approval of the University Council.

- Board Member of Heart of the South West Local Enterprise Partnership
- Board Member of the Russell Group

1

[www.exeter.ac.uk/about/organisation/governance/committees/remuneration\\_committee/](http://www.exeter.ac.uk/about/organisation/governance/committees/remuneration_committee/)

2

[www.exeter.ac.uk/about/organisation/governance/committees/remuneration\\_committee/](http://www.exeter.ac.uk/about/organisation/governance/committees/remuneration_committee/)

3

[www.exeter.ac.uk/ourstrategy/](http://www.exeter.ac.uk/ourstrategy/)

4

At the time the financial statement for 2018/19 was agreed and published, the Remuneration Committee had made an interim payment to members of the Vice-Chancellor's Executive Group for the achievement of institutional performance targets in 2018/19 under the Executive Performance Reward Scheme. A later meeting of the Remuneration Committee

- Board Member and Chair of the International Policy Network of Universities UK
- Trustee of the Education and Employers Task Force
- Chair, Liveable Exeter
- Non-Executive Director, Unite Group (from April 2020)

The Vice-Chancellor did not receive any remuneration for this external work, except for the new role with the Unite Group.

### 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<sup>6</sup> and Entertainment, Hospitality and Gifts Policy<sup>7</sup>.

Richard Atkins  
Chair of the Remuneration Committee

agreed a final level of award which was paid after the financial statement had been published. The figure for total emoluments in 2018/19 in the table shows the amended figure.

5

[www.exeter.ac.uk/about/organisation/governance/committees/remuneration\\_committee/](http://www.exeter.ac.uk/about/organisation/governance/committees/remuneration_committee/)

6

[www.exeter.ac.uk/media/universityofexeter/financeservices/pdfs/Exeter\\_Expenses\\_Policy\\_v10\\_\(2018\\_Refresh\).pdf](http://www.exeter.ac.uk/media/universityofexeter/financeservices/pdfs/Exeter_Expenses_Policy_v10_(2018_Refresh).pdf)

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