

Annual Report of Remuneration Committee for 2020/21

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 University Executive Group (VCEG).

The terms of reference of the Committee¹, 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 2020/21

The membership of the Committee comprises 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 University Executive Group.

Meetings 2020/21

The Committee met five times during 2020/21. The attendance of members at meetings was as follows.

	Eligible to attend	Actually attended
Sir Richard Atkins	5	5
Sarah Turvill	5	5
Sarah Buck	5	5
Salam Katbi	5	4
Graham Cole	5	5

Summary of meetings in 2020/21

September 2020

The Committee agreed its annual report for 2019/20 and its and its schedule of work for 2020/21.

The Committee reviewed the achievement of the institutional and personal objectives for members of the University Executive Group which had been agreed for 2019/20. Taking account of these assessments, and the reduction in the level of award for 2019/20 which had been previously agreed (and reported in the annual report for 2019/20), 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 and institutional objectives in 2019/20.

The Committee agreed to commission an external review of the reward arrangements for members of the University Executive Group.

December 2020

The Committee approved the institutional targets for 2020/21, pending a decision later at its next meeting on whether the Executive Performance Reward Scheme should operate in the 2020/21 financial year.

The Committee discussed the terms of reference for the external review.

March 2021

Following the decision to reinstate some of the suspended procedures in response to the University's improved financial position, the Committee agreed that the Executive Performance Reward Scheme would operate in 2020/21. The Committee agreed to a proposal from the University Executive Group to reduce the maximum award in 2020/21 under the Executive Performance Reward Scheme by

¹ http://www.exeter.ac.uk/about/organisation/governance/committees/remuneration_committee/

50%, and to consider further reductions if there were any compulsory redundancies during the year. The Committee reviewed the annual reports made by the Remuneration Committees of other Russell Group institutions.

The Committee met with consultants conducting the external review.

June 2020

A special meeting was held to consider the report of the external review of the Committee's the arrangements for rewarding members of the University Executive Group. The review concluded that the current approach to senior remuneration was consistent with good practice and had been effective in attracting and retaining executive appointments. The review made a number of recommendations to improve the clarity and operation of these arrangements. These recommendations will be developed into detailed procedures during 2021/22 ready for implementation from the beginning of the 2022/23 University year.

July 2021

The Committee reviewed the base salaries of members of the University Executive Group, 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 University Executive Group in the financial year beginning August 2021, with the exception of one member where an increase was agreed to recognise their experience and performance and to ensure parity with other roles.

The Committee received a report on external work undertaken by senior executives in 2020/21.

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

October 2021

The Committee reviewed the achievement of the institutional targets and personal objectives for members of the University Executive Group which had been agreed for 2020/21. Taking account of these assessments, and the earlier decision to reduce the maximum award in 2020/21 under the Executive Performance Reward Scheme by 50%, 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.

In October 2021, 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 Policy². This was last reviewed and updated in June 2019. Taking account of the outcomes of the external review, the Committee will revise the Executive Reward Policy in 2021/22 ready for implementation from the beginning of the 2022/23 University year.

Institutional Performance: Context

The University's 2030 strategy³ sets out our aims to use the power of our interdisciplinary education and research culture to create a sustainable, healthy and socially just future. We have set ambitious goals to challenge and inspire our students to develop skills to lead the change the world needs; to foster new discoveries to solve the challenges of today and tomorrow; and to be a globally networked University with regional, national and international impact, offering outstanding education and

² http://www.exeter.ac.uk/about/organisation/governance/committees/remuneration_committee/

³ <https://www.exeter.ac.uk/strategy2030/>

research opportunities for our communities to overcome the challenges of the twenty-first century. We will achieve these goals through creating strong partnerships with partners, students and alumni across our campuses, our region and the world; and supporting each other to thrive, be fulfilled and reach our potential within an inclusive, fair, compassionate and healthy community.

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.

Institutional Performance 2020/21

2020/21 has been another very challenging year because of the global Coronavirus pandemic. This has had a significant impact on the University in the 2020/21 financial year and its impact will continue for a number of years to come. The University's achievements in 2020/21 are detailed in the "How we performed" section of the Annual Report.

Remuneration Decisions

The Committee reviewed the base salaries of members of the University 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 University Executive Group in the financial year beginning August 2021, with the exception of one member where an increase was agreed to recognise their experience and performance 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 University Executive Group were eligible for payments in 2020/21.

Taking account of the impact of the Coronavirus pandemic on the University's operations and finances, and the University's collective agreement with trade unions to suspend some reward arrangements in 2020/21, the Committee carefully considered what arrangements should be applied to the reward of members of the University Executive Group in 2020/21. Following the decision to reinstate some of the suspended procedures in response to the University's improved financial position, the Committee agreed that the Executive Performance Reward Scheme would operate in 2020/21. The Committee agreed to a proposal from the University Executive Group to reduce the maximum award in 2020/21 under the Executive Performance Reward Scheme by 50%, and to consider further reductions if there were any compulsory redundancies during the year.

In reaching decisions on payments under the Executive Performance Reward Scheme in respect of institutional and personal performance in 2020/21, the Committee took account of the targets agreed by the Committee:

- National Student Survey
- 2030 Strategy
- Financial performance including savings plans
- Ensure Optimal functioning of the University during the Covid-19 pandemic.

After taking account of the reductions previously agreed, the Committee agreed an average payment of 8.4% (of the potential 20%) for the achievement of personal and institutional objectives in 2020/21.

Vice-Chancellor and Chief Executive

Professor Lisa Roberts took up her appointment as Vice-Chancellor the University of Exeter on 1 September 2020. In setting Professor Roberts' salary, the University's Remuneration Committee has taken account of the level of responsibility and market data for the remuneration of Vice-Chancellors at competitor institutions.

The remuneration received by Professor Roberts in the year ended 31 July 2021 was:

- a base salary of £275,000 per annum. (The amount paid for the period September 2020 to July 2021 is shown in the table below).
- a performance award (under the Executive Performance Reward Scheme) of £24,063.

The payment made under the Executive Reward Scheme in respect of the Vice-Chancellor's performance in 2020/10 reflected the decision of the Remuneration Committee to reduce the maximum level of award for all executive group members by 50%, following a proposal from the University Executive Group in response to the impact of the Coronavirus pandemic on the University.

- Employer pension contributions to the Universities Superannuation Scheme (USS) at the same level paid for other members of USS. After the first 3 months of her employment, in line with other appointments, Professor Roberts joined the University's USS salary sacrifice arrangements. Under this arrangement, Professor Roberts' salary has been reduced by £17,600 from the figure quoted above and the University paid these employer contributions on her behalf.

To support Professor Roberts' relocation to Exeter, she received the following additional benefits in the 2020/21 financial year:

- Relocation expenses of £17,807, of which £8000 was exempt from tax under HMRC regulations.
- Temporary accommodation provided by the University until her personal home was available. The taxable benefit in respect of the 2020/21 financial year was £193.

Professor Sir Steve Smith retired on 31 August 2020. The last increase to his base salary was in 2015. In accordance with the terms of a long-term incentive scheme entered into in 2013, to ensure that the University retained his leadership during a time of significant change, Sir Steve received a retention payment of £105,850 in August 2020.

Emoluments of the Vice-Chancellor	2019-20 (£000)	Professor Sir Steve Smith 2020-21 (£000)	Professor Lisa Roberts 2020-21 (£000)
Salary	315	26	252
Performance related remuneration	28		24
Pension contributions and payments in lieu of pension contributions.	51	4	53
Other taxable benefits	5		10
Other non-taxable benefits			8
Long-term performance incentive scheme 2013-2020	185	N/A	N/A
Long-term retention scheme 2013-2020	N/A	106	N/A
Total Emoluments	584	136	347

Pay Ratios

The Office for Students' methodology for calculating pay ratios includes 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. 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 current Vice-Chancellor's basic salary in 2020/21 and the median basic salary of all other persons employed by the University in the 2020/21 financial year, including workers engaged on an occasional basis, is 9.4. (2019/20: 10.5)
- The ratio between the current Vice-Chancellor's total reward in 2020/21 and the median total reward of all other persons employed by the University in the 2020/21 financial year, including workers engaged on an occasional basis, is 10.2. (2019/20: 17.0)

The figures excluding workers engaged on an occasional basis are:

- The ratio between the current Vice-Chancellor's basic salary and the median basic salary of all other persons employed by the University in the 2020/21 financial year is 8.4. (2019/20: 8.8)
- The ratio between the current Vice-Chancellor's total reward in 2020/21 and the median total reward of all other persons employed by the University in the 2020/21 financial year is 9.4. (2019/20: 14.1)

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 current Vice-Chancellor's total reward in 2020/21 and the median total reward of other employees is 8.1. (2019/20: 12.3)

External appointments

The Committee has agreed a policy on External Work for senior executives⁴.

During 2020/21, the Vice-Chancellor served on the following external bodies with the approval of the University Council.

- Board Member of the Russell Group
- Board Member of Heart of the South West Local Enterprise Partnership
- Board Member of the Liveable Exeter Place Board
- Commissioner, UPP Foundation Student Futures Commission
- Member, UUK's Lifelong Learning Advisory Group
- Member, UUK's Charter for Portfolio Review Advisory Group
- Member, Place Group

The Vice-Chancellor did not receive any remuneration for this external work.

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 policy⁵ and Entertainment, Hospitality and Gifts Policy⁶.

Sir Richard Atkins
Chair of the Remuneration Committee

Date of this version: 21 December 2021

⁴ http://www.exeter.ac.uk/about/organisation/governance/committees/remuneration_committee/

⁵ <https://www.exeter.ac.uk/departments/finance/aboutus/policies/expenses/>

⁶ <https://www.exeter.ac.uk/departments/finance/aboutus/policies/entertainment/>