

King's College London

Annual Report of the Remuneration Committee

2018-19

Introduction

King's is a world-class institution which aspires to the very highest standards of education and research. The university is a member of the Russell Group and is one of the world's leading research-intensive universities, with a global reputation for excellence.

The remuneration of the University's Senior Post Holders (defined below) is a fundamental component in ensuring that the key talent is recognised and rewarded for their contributions to King's. The remuneration of these roles is underpinned by the university's Remuneration Policy for Senior Post Holders (the Remuneration Policy), which seeks to facilitate the recruitment, motivation and retention of the highest quality of Academic and Professional leaders in order to deliver the university's strategy, ensuring individuals are paid fairly for their role and that they can be recognised for exceptional performance. The Remuneration Policy is based on principles which are intended to support the university with delivering the ambitious King's Strategic Vision 2029, including providing an outstanding student experience.

The Committee met twice during the year and considered the following specific areas:

- Salary recommendations for senior academic and professional services staff,
- Equality and diversity monitoring of senior staff,
- Senior staff succession planning,
- Membership and terms of reference for the Committee,
- Personal objectives for Senior Staff, and
- Performance outcomes.

In carrying out its duties, the Committee complies with the requirements of the Higher Education Senior Staff Remuneration Code issued by the Committee of University Chairs (the "CUC Code") and the Office for Students (OfS) Accounts Direction.

Committee membership

The composition and membership of the Remuneration Committee for 2018-19 was as follows:

Chair

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| Vice-Chair of Council | Baroness Morgan of Huyton |
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Independent members

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| Chair of Council | Lord Geidt |
| Honorary Treasurer | Mr Michael D'Souza |
| Other independent members | Dr Angela Dean Mr Paul Goswell |

In attendance (by invitation)

| | |
|-----------------------------|------------------------|
| President & Principal | Professor Edward Byrne |
| Director of Human Resources | Mr Brent Dempster |

Effective from October 2019, Dr Angela Dean became Chair of the Committee and Sir Nigel Sheinwald joined the Committee as an independent Council member. Baroness Morgan of Huyton stepped down from the Committee effective from 31 July 2019.

The President & Principal only attends meetings as required to assist with items related to remuneration of other senior post holders. He is not present, nor invited to discussions, regarding his own remuneration or terms of employment, except for presentation of his annual report and proposed objectives for the year ahead. The Director of Human Resources attends by invitation to advise with respect to university-wide remuneration policy and issues.

The Committee received independent advice from PricewaterhouseCoopers LLP (PwC) during the year. As a member of the Remuneration Consultants' Group, PwC operates under the code of conduct governing executive remuneration consulting in the UK. Details of the code of conduct are published at: <http://www.remunerationconsultantsgroup.com/>

Remit of the Remuneration Committee

The Committee meets at least twice a year with a remit and delegated authority by the Council to determine: the terms and conditions of appointment and remuneration of the President & Principal, the annual remuneration for the Senior Vice Presidents and Provosts and Vice-Principals, and address and document the approach to the remuneration of other senior staff as defined by the Council or other relevant bodies. The Committee holds direct responsibility for the following positions:

| Position | Name |
|--|------------------------------|
| President & Principal | Professor Edward Byrne |
| Provost/Senior Vice President (Arts & Sciences) | Professor Evelyn Welch |
| Provost/Senior Vice President (Health) | Professor Sir Robert Lechler |
| Senior Vice President (Quality, Strategy & Innovation) | Mr Chris Mottershead |
| Senior Vice President (Operations) | Dr Ian Tebbett |
| Vice President (Finance) / Chief Financial Officer | Mr Stephen Large |
| Vice President & Vice Principal (Education) | Professor Nicola Phillips |
| Vice President & Vice Principal (Research) | Professor Reza Razavi |
| Vice President & Vice Principal (Service) | Professor Jonathan Grant |
| Vice President & Vice Principal (International) | Professor 'Funmi Olonisakin |
| Vice President & Vice Principal (London) | Baroness Deborah Bull |

The Committee's main responsibilities include:

- (a) Overseeing the preparation and application of the Remuneration Policy for Senior Post Holders, to recruit, retain and motivate people of appropriately high ability, within levels of affordability that are publicly defensible and secure good value for money.
- (b) Reviewing and setting the annual performance objectives of the President & Principal which reflect the expected individual contribution to the long-term strategic objectives of King's based on predetermined criteria at the beginning of the year.
- (c) On the recommendation of the Principal, approving changes to remuneration for Senior Post Holders, based on performance assessment as reported by the Principal.
- (d) Determining provisions for any other benefits such as pensions, cars/car allowances, or access to any shared equity scheme.
- (e) Ensuring relevant issues of diversity and equality are given due consideration in respect of matters relating to the remuneration of Senior Post Holders.

Whilst the remit of the Committee does not formally extend to the wider workforce, the Committee reviews information on the remuneration of other senior staff beyond the specified Senior Post Holders, is kept informed on wider trends on remuneration with the HE sector, and reviews gender pay gap reporting information and the outcome of the pay multiple analysis in order to provide insight to pay and

employment conditions across the University. The Committee considers this information when making decisions relating to the pay of Senior Post Holders.

Further information and the Committee’s full terms of reference are published on the King’s College London website: <https://www.kcl.ac.uk/aboutkings/governance/committees/remuneration/remuneration>

Remuneration Policy

The Committee undertook a detailed review of its policy and processes in 2017-18 and developed the Remuneration Policy for Senior Post Holders which was approved by Council in September 2018. The Remuneration Policy recognises that King’s recruits from a global talent pool and that different pay models operate across universities in countries from which King’s may seek to recruit. For example, the current President & Principal was recruited from a high-ranking institution in Australia. The table below outlines the key elements of remuneration recognised in the Remuneration Policy. A full version of the Remuneration Policy is available on the King’s College London website:

<https://www.kcl.ac.uk/aboutkings/governance/committees/remuneration/remuneration>

| Element | Purpose | Operation |
|----------------------------------|---|---|
| Base Salary | <p>Provides a core reward for the role which is market related. For academic staff, this reflects their academic discipline and for professional service staff, their function.</p> <p>Base salary recognises the market value of the role and an individual’s skills, contribution, leadership and experience.</p> | <p>Base salaries may be reviewed on an annual basis or following a significant change in role or responsibility. Base salary is positioned with reference to an agreed peer group, including Russell Group and international universities and wider industry (depending on the role).</p> <p>Salaries are paid in cash and are pensionable.</p> <p>Upon his own request, President & Principal Professor Edward Byrne’s salary has been frozen since he joined the University in 2014.</p> |
| Benefits, allowances and pension | <p>Ensures both that total remuneration is competitive in the markets in which the University operates and that individuals are supported in the event of defined life events (including retirement).</p> | <p>Benefits</p> <p>King’s requires the President & Principal, in accordance with his contract of employment, to live in university-provided accommodation for the better performance of his duties. This arrangement is similar to those of other universities in London. The President & Principal makes a personal contribution towards running costs.</p> <p>Other benefits provided to Senior Post Holders are intended to provide market aligned cost-effective benefits that are appropriate to the role. King’s offers the following benefits to Senior Post Holders:</p> <ul style="list-style-type: none"> ● Joint equity scheme for non-UK hires - King’s can offer to co-purchase property with the individual subject to certain conditions, in order to allow them to more easily acquire appropriately-sized living accommodation in proximity to the University; and ● Other relocation support (where applicable). <p>Other benefits and allowances may be offered if considered appropriate by the Committee and within the context of the benefits package offered more widely across the Institution.</p> |

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| | | <p>Allowances</p> <p>Allowances paid to Senior Post Holders may include:</p> <ul style="list-style-type: none"> • a London weighting allowance on the same terms as the wider workforce • (for individuals temporarily holding a Senior Post) an Office Responsibility allowance to reflect any additional accountabilities. This allowance is temporary in nature. It is only be paid to an individual while they are in a Senior Post for which it has been established and is pensionable. <p>The University does not make payments in lieu of any Clinical Excellence Awards forfeited as a result of assuming a Senior Post.</p> <p>Pension</p> <p>The pension contributions for the President & Principal and other Senior Post Holders paid in respect of employer's contributions to the Universities Superannuation Scheme (USS) are paid at the same rate as for other employees.</p> <p>No cash in lieu of pension contribution is provided if an individual opts out of the USS.</p> |
| Variable pay | To recognise and reward exceptional individual performance by Senior Post Holders who report directly to the President & Principal and other senior staff identified by the President & Principal. | <p>King's currently operates a very small discretionary annual bonus pool (up to £100,000) to be shared among staff identified by the President & Principal as having performed above and beyond expectations in a given year.</p> <p>There is a three-stage process to assessing any bonus payments:</p> <ol style="list-style-type: none"> 1. Individuals are required to complete a comprehensive self-assessment of their performance and contribution to King's against financial, educational, research and individual objectives set in discussion with the President & Principal or their line managers annually. Individuals do not make recommendations on their own bonus payment. 2. The President & Principal reviews the individual performance and submits bonus payment recommendations to the Remuneration Committee where he/she believes them warranted. 3. The Remuneration Committee reviews and considers the proposals put forward by the President & Principal and seeks further information where required. The Remuneration Committee is updated at least annually on the performance of Senior Post Holders. <p>Upon his own request, President & Principal Professor Edward Byrne has declined to participate in a bonus scheme since he joined the University in 2014.</p> |
| Expenses | To compensate Senior Post Holders for expenses incurred as a result of performing their duties. | The Expenses Policy is set by the University's Finance department. The Remuneration Committee receives assurance annually from the Chief Financial Officer that the Expenses Policy has been operated efficiently and appropriately for |

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| | | Senior Post Holders. Full details are available on the King's College London website: https://www.kcl.ac.uk/governancezone/assets/finance/travel-policy.pdf |
| External Income | Senior Post Holders are permitted to hold external roles at other organisations, as these provide insight and additional context to their roles at King's. | Senior Post Holders may (with the consent of the Chair of the Council for President & Principal, and the President & Principal for other Senior Post Holders), serve as Committee members, Trustees, or Non-Executive Directors of an external body, where this is considered important for self-development and/or in the interests of representing the university. Any such external membership must be reported to the Committee with assurance that there are no conflicts of interest or issues with confidentiality and that the membership will not unduly detract from their university role. A Senior Post Holder must disclose all income retained from any external bodies and this income should not be excessive. |

Severance arrangements

When the University is entering into employment contracts with Senior Post Holders, the Committee will ensure that any severance terms therein are fair, reasonable and justifiable and do not expose the University to significant potential liabilities, including notice periods which are currently specified as three months.

In the event of termination for reasons other than resignation or dismissal with cause, Senior Post Holders' contractual entitlements will be honoured, but the Committee should be assured that poor performance is not rewarded and that costs are minimised. The Committee will seek legal advice and will consider any other available guidance from external bodies as it deems necessary.

Furthermore, when determining any loss of office payment for a departing individual, the Remuneration Committee will always seek to minimise the cost to the University whilst seeking to address circumstances at the time and considers the 'Guidance on decisions taken about severance payments in HEIs' published by the CUC.

Consideration of wider workforce

In determining the Remuneration Policy and making decisions relating to the pay of the President & Principal and Senior Post Holders, the Committee considers the pay of the wider workforce, including but not limited to:

- Salary increases,
- Changes to the National Living Wage and National Minimum Wage,
- Gender and ethnicity pay gap information,
- Pay multiples (as disclosed in the Notes to the Financial Statements)

Emoluments of the President & Principal

Context: King's is a world-class institution which aspires to the very highest standards of education and research. The university is a member of the Russell Group and is one of the world's leading research-intensive universities with a global reputation for excellence. The university's Remuneration Policy for Senior Post Holders recognises that King's recruits from a global talent pool in selecting its President & Principal and that different pay models operate across universities in countries from which King's may seek to recruit. Indeed, the current President & Principal was recruited from a high-ranking institution in Australia.

Value: President & Principal Professor Edward Byrne has provided outstanding leadership to King’s since his arrival in 2014. Under his leadership, King’s has embarked on an ambitious program of strategic growth through implementation of Vision 2029. In the last few years a number of key initiatives have come to fruition including the acquisition and development of Bush House as a key part of campus infrastructure, the opening of the King’s Business School (which since its opening a short three years ago has risen to the rank of second in the UK)¹, the reinvigoration of Engineering within King’s and through a significant collaboration with international partners, and the growth and diversification of King’s student body at undergraduate and graduate levels – both in terms of the number of international students and BAME representation. He has led King’s to greater focus on its role as a civic institution, with promotion of civic engagement and community outreach becoming critical elements of the university’s strategic plans and its day-to-day activities.

Professor Byrne is a leader in higher education in the UK and internationally. He served as Deputy Vice-Chancellor of the University of London until the end of July 2019 and was named Chair of the Council of the Association of Commonwealth Universities in August 2019. He is frequently called upon by government to provide input into key issues.

Performance review process: Professor Byrne’s performance is reviewed on an annual basis by the Council’s Remuneration Committee, which is a standing committee of Council, chaired by the Vice-Chair of the Council and including in its membership the Chair of Council and three additional independent members of Council. In addition, the Committee is currently advised by a remunerations expert from PwC in accordance with the guidance published by the Committee of University Chairs (CUC) that committees have access to independent expertise. The annual performance review is based on progress toward a set of key performance indicators mutually agreed at the beginning of each academic year. At Professor Byrne’s request his salary has been frozen since 2014 and he has declined any bonus payment. The Remuneration Policy is compliant with the CUC Code.

The table below sets out the emoluments of the President & Principal for 2018/19:

| | 2018/19 | 2017/18 |
|---|-----------------|----------|
| Base salary | £350,000 | £350,000 |
| Benefits-in-kind | - | £8,000 |
| Accommodation ⁽¹⁾ | £40,000 | £40,000 |
| Pension scheme contributions ⁽²⁾ | £65,000 | £63,000 |
| Total emoluments | £455,000 | £461,000 |

- (1) *In accordance with his contract of employment, the President & Principal is required to live in university-provided accommodation for the better performance of his duties. The President & Principal makes a personal contribution towards running costs. We have estimated the cost of the President & Principal's accommodation based on a review of the open market value of similar properties discounted to reflect restrictions on use.*
- (2) *The pension contributions for the President & Principal paid in respect of employer’s contributions to the Universities Superannuation Scheme are paid at the same rate as for other employees.*

¹ The Complete University Guide, 2019

Summary of pay above £100,000

Remuneration (*PwC note- base salary only*) of higher-paid staff, excluding employer's pension contributions and salary reimbursed by the NHS:

| Basic salary per annum | 2018/19 | 2017/18 |
|------------------------|------------|------------|
| £100,001–£105,000 | 45 | 41 |
| £105,001–£110,000 | 36 | 33 |
| £110,001–£115,000 | 35 | 27 |
| £115,001–£120,000 | 22 | 17 |
| £120,001–£125,000 | 25 | 17 |
| £125,001–£130,000 | 14 | 7 |
| £130,001–£135,000 | 7 | 12 |
| £135,001–£140,000 | 12 | 10 |
| £140,001–£145,000 | 8 | 12 |
| £145,001–£150,000 | 10 | 6 |
| £150,001–£155,000 | 7 | 7 |
| £155,001–£160,000 | 7 | 5 |
| £160,001–£165,000 | 6 | 5 |
| £165,001–£170,000 | 6 | 3 |
| £170,001–£175,000 | 1 | 2 |
| £175,001–£180,000 | 2 | 1 |
| £180,001–£185,000 | 3 | 1 |
| £185,001–£190,000 | 2 | 3 |
| £190,001–£195,000 | 2 | - |
| £195,001–£200,000 | 1 | 1 |
| £200,001–£205,000 | 3 | - |
| £205,001–£210,000 | - | 3 |
| £210,001–£215,000 | 2 | 1 |
| £215,001–£220,000 | - | 2 |
| £220,001–£225,000 | 2 | - |
| £225,001–£230,000 | 1 | 2 |
| £230,001–£235,000 | 3 | 1 |
| £235,001–£240,000 | 2 | - |
| £255,001–£260,000 | 1 | 1 |
| £275,001–£280,000 | - | 1 |
| £305,001–£310,000 | 1 | - |
| £315,001–£320,000 | 1 | - |
| Total | 267 | 221 |

Pay multiples

The relationship between the President & Principal's remuneration and that for all other employees expressed as a pay multiple are:

- Base pay is 8.6 times the median base pay for King's employees.
- Total pay is 9.7 times the median total pay for King's employees.

| | 2018/19 | | 2017/18 |
|---|--------------------------|------------------------|------------------------|
| | Current year methodology | Prior year methodology | Prior year methodology |
| Base pay (median calculated as for the base pay of all employees) | 10.1 | 8.6 | 8.6 |
| Total pay (median calculated as for the total pay of all employees) | 11.7 | 9.7 | 9.8 |

The university has decided to early adopt the 2019/20 Accounts Direction as the basis for calculating median pay multiples. As such included within the calculation are only staff for whom the College is required to provide real time reporting to HMRC. In the previous year it was not possible to include staff employed through King's Talent Bank Ltd, a wholly owned subsidiary of the College, as data had not been collected on the required basis for the 2017/18 financial year. In 2018/19 the required information has been collected and multiples calculated including them.

Current year multiples calculated on the previous basis have been provided for comparative purposes, with the year on year increase in pay multiple being entirely due to the inclusion of temporary workers employed through King's Talent Bank Ltd in the current year.

Methodology: Full time equivalent (FTE) pay is calculated by summing relevant pay types and the percentage of FTE worked over the year (August 2018 to July 2019) and pro-rating up to 100% to give everyone an FTE equivalent salary. Data includes individuals employed by King's College London, King's College London Business Ltd and King's Talent Bank Ltd.