

Date: 6 July 2022

Item: Executive Committee Remuneration Benchmarking

This paper will be considered in public

1 Purpose

- 1.1 This paper is intended to inform the Committee on the remuneration benchmarking undertaken for TfL's executive roles ahead of the recent reorganisation of the Executive Committee that became effective on 1 February 2022.
- 1.2 The paper contains the remuneration consultant's report appended in full along with an overview of the methodology used and a summary of the key observations from this exercise.
- 1.3 With the contract for executive remuneration benchmarking now expired the Committee are asked to give thought to their requirements for the future as part of an intended new contract that the TfL Reward team will shortly commence procurement for.

2 Recommendation

- 2.1 **The Committee is asked to note the paper and:**
 - (a) **note the previous (November 2021) benchmarking report (Appendix 1) and the methodology used to produce the benchmark information;**
 - (b) **note the observations on the market position for TfL executive roles identified within the report; and**
 - (c) **provide direction on the Committee's executive remuneration benchmarking requirements for 2023.**

3 Background – Benchmarking report

- 3.1 Since 2015, TfL Reward has had in place a contract for the commissioning of an annual Remuneration Benchmarking report for the roles under the Committee's Terms of Reference from executive remuneration consultants Aon consulting group.
- 3.2 The purpose of the report is to provide a snapshot of how remuneration for executive roles in TfL compares with the external market.
- 3.3 The report surveys remuneration under the following categories:
 - (a) Base Salary;
 - (b) Total Cash (base salary + on-target bonus);

- (c) Total Direct Compensation (base salary + on-target bonus + expected value of Long Term Incentive (LTI) awards); and
 - (d) Total Target Remuneration (base salary + benefits + pension + on-target bonus + expected value of LTI awards).
- 3.4 Defining the market, i.e. the 'peer group' of businesses and organisations that are appropriate to compare against is critical in formulating the report, as it has a significant impact on the benchmarking results that are derived.
- 3.5 Previous Remuneration Committees have invested time in considering this issue in detail to ensure that the most appropriate comparators for TfL are identified. A previous review of our peer groups led to the current situation where two groups of comparators are surveyed; one for publicly accountable organisations and one consisting of listed companies. This reflects TfL's status as a public sector body as well as the fact that we both hire from and lose a significant amount of our executive talent to private sector businesses. Utilised together it was considered that the two separate benchmarks provide a rounded view of the external market that was most beneficial for pay setting decision making.
- 3.6 The information in the report is derived from a combination of an Executive Total Rewards Survey ('ETRS') that Aon operated along with bespoke desktop research into company remuneration data.
- 3.7 The benchmarking report for the Executive Committee was last produced in full in November 2021 (see Appendix 1).

4 Peer groups and the method for generating comparable data

- 4.1 The report surveyed the market from the perspective of two separate peer groups.
- 4.2 The ETRS Peer Group comprised 182 organisations focusing on sectors such as transportation, infrastructure and engineering, and excluding less-relevant sectors such as financial services. This resulted in a broadly analogous peer group which represented a cross section of the UK, with a focus on organisations with a similar focus to TfL (see pages 17 and 18 in the appended report).
- 4.3 The Publicly Accountable Group (PAG) comprised of a range of UK organisations with some degree of public accountability and, in most cases, a focus on infrastructure and transportation.

2021 Publicly A	ccountable Group	
Company	Revenue (£m)	No. of employees
Anglian Water	£1,351.8	4,882
BBC	£5,064.0	22,219
British Council	£1,289.0	11,523
Civil Aviation Authority	£128.0	1,208
High Speed Two Ltd	-	1,479
Highways England	-	5,810
Manchester Airport Group	£178.6	5,495
NATS	£823.0	4,227
Network Rail	£9,618.0	44,356
Nuclear Decommissioning Authority	-	14,943
Post Office	£951.0	4,027
Severn Trent	£1,827.2	7,033
Thames Water	£2,106.7	6,525
United Utilities Group	£1,808.0	5,354

4.4 Aon also produced a separate benchmarking report for TfL director roles in May 2021 that are not under the Committee's Terms of Reference. This report is used by the Commissioner and Chief Officers to understand the relative positioning of pay of their direct reports. The information in this report is derived using the same ETRS peer group above.

5 Report format

5.1 The report, as set out in Appendix 1, provides relevant data from the peer groups discussed above along with supporting commentary on the state of the market and key trends in executive compensation in both the private and public sector environments.

5.2 The report's appendices contain detailed tables for each TfL role surveyed outlining the relative position of the current incumbent compared to the market under each of the four remuneration categories (base pay through to Total Target Remuneration). Comp ratios show the specific position in percentage terms against the market quartiles and the median position.

6 Interpreting the benchmarking data

6.1 Caveats for interpreting benchmarking data are included on page 9 of the appended report and should be noted. These include other factors beyond market benchmarking that are relevant in pay setting decisions. Furthermore, a 'market median range' (typically set at +/- 15 per cent of the median salary level) is considered as being representative of a mid-market position rather than using the single median salary itself. Market data therefore provides a useful 'snapshot' of information that can help guide decisions on pay setting but no single salary amount e.g. such as the actual median (if that is determined as the market position most relevant) should be automatically interpreted as being the 'correct' positioning.

7 Observations on benchmarking results from November 2021

7.1 The graph in Appendix 2 shows the comparison ratios for Executive Committee roles against the Aon assessed market medians for Salary and Total Target

Remuneration. The graph provides a useful snapshot for individual roles detailing their 'compa-ratio' showing both the Private Sector (ETRS) comparison as well as that for the Publicly Accountable Group (PAG). The graph also provides a useful means to compare the relative positioning of roles internally across the Executive Committee.

- 7.2 From this it is evident that Salary is typically between only the 60th and 80th percentile against the ETRS comparison whilst comparing more favourably against the PAG, but still typically only between the 70th percentile and Median. Overall, this shows a relatively low positioning for our Executive Committee roles against external market salary levels which can compromise both attraction and retention of talent in these critical roles.
- 7.3 The comparison of Total Target Remuneration is unsurprisingly even less favourable than salary against the ETRS data. In the private sector, as well as higher salaries, roles at this level also receive higher levels of variable pay in the form of annual bonuses (Short Term Incentives – STI) as well as typically arrangements for Long Term Incentives. TfL's short-term equivalent, its annual performance award scheme, generally does not deliver a percentage of salary equivalent to market based STI arrangements and there are no Long-Term Incentive (LTI) arrangements in TfL. Therefore, the compa-ratio for Executive Committee roles on Total Target Remuneration is typically between only the 40th and 60th percentile.
- 7.4 Against the PAG data the Total Target Remuneration for TfL Executive Committee roles is as expected stronger than the comparison with the ETRS but still typically only between the 60th and 80th percentile.
- 7.5 This pattern of relativity is similar across all TfL senior management roles, from Payband 4 through to Director level although more marked at the highest levels.

8 Future Executive Benchmarking Requirements

- 8.1 Our previous executive remuneration benchmarking contract with Aon has now expired. To produce similar consultant sourced benchmarking in the future, TfL will first need to undertake a competitive procurement process to contract with an appropriate supplier. The lead time for this activity is typically between six and nine months. We therefore plan to commence this process shortly to be able to supply refreshed benchmarking data next spring, in line with our usual cycle for this activity.
- 8.2 As part of the procurement process a specification is produced that sets out our requirements for the data and report we are seeking. It would therefore be helpful to have the Committee's view on the previous reports regarding their usefulness and whether there are any amendments to the previous approach or changes that the Committee would find beneficial in future benchmarking reports. These can then be included in the specification that we procure against.

List of appendices to this report:

Appendix 1: Remuneration Benchmarking Report Executive Committee, November 2021

Appendix 2: Graph showing comparison ratios of Executive Committee roles to market median base pay and Total Target Remuneration

List of Background Papers:

None

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Executive Committee Remuneration Benchmark

Transport for London

16 November 2021

Introduction

- Aon has been retained to benchmark the remuneration of the new Executive Committee structure of Transport for London (“TfL”).
- The last benchmarking exercise was carried out in May 2021 and the same approach has been adopted for this review. To note: participation in Aon's Executive Total Reward survey in 2020 was impacted by COVID-19 – as such, a number of companies in Executive Total Rewards Survey (“ETRS”) Peer Group did not submit data for 2020. For this year’s exercise, it was agreed at a meeting between Aon and TfL on 8th February 2021 to proceed with the following approach:
 - include 2020 data for peers¹ where we hold updated data for 2020;
 - include 2019 data for peers¹ where we hold data and age the data by an appropriate factor²; and
 - include additional peers¹ from current ETRS participants approved by TfL.
- Each role has been benchmarked against their respective counterparts at comparator organisations, with the scope of each role matched on a like-for-like basis using Aon’s JobLink system, in turn based on the Hay job evaluation outcomes provided to us by TfL.

1. See Appendix A for detail of both peer groups

2. See Appendix B for the aging factor methodology detail



Benchmarking methodology

Executive Total Rewards Survey (ETRS) group

- We understand benchmarking below Director level is currently undertaken against a peer group defined by TfL, based on data provided by Willis Towers Watson, representing organisations and subsidiaries based on their size, complexity and relevance.
- In order to provide consistency with the approach adopted for the wider workforce, Aon has agreed with TfL to use the same Executive Total Rewards Survey (ETRS) Peer Group as the previous benchmarking assessment in 2020, with the addition of four further companies approved by TfL. This group forms the primary benchmark for each role under review.
- The ETRS Peer Group comprises 182 organisations – around half of these are also constituents of the WTW group, with the remainder previously selected from Aon’s survey database on the same basis – i.e. focusing on sectors such as transportation, infrastructure and engineering, and excluding less-relevant sectors such as financial services.
 - This results in a broadly analogous peer group which represents a cross section of the UK, with a focus on organisations with a similar focus to TfL.
- A full list of organisations included in the ETRS Peer Group is set out in Appendix A.

Comparison with previous exercises

- In the 2020 review, TfL’s Managing Directors and Directors were benchmarked against a broad ETRS Peer Group of c.173 organisations, selected using the method described above. As the constituents in Aon’s survey database vary every year, 104 companies did not submit data in the latest edition of the survey. In the interest of keeping the group roughly the same size as last year’s and to provide robust year-on-year results, we have agreed with TfL to age the data for these peers, while adding four additional comparators from our database having considered their sector, size and number of employees against the group. We were also able to match data for an additional five companies from the revised 2019 WTW group.
- Overall, the ETRS Peer Group used for this report is ~95% the same as last year’s in terms of its constituents.¹
- We believe that this provides for robust and consistent outcomes for the benchmarked population, and is a good reflection of the TfL talent market. However, due to the new constituents of the group and broader data variation, results do not reflect a ‘like-for-like’ increase on remuneration to last year; rather, these should be viewed as a snapshot of the current market.

1. Refer to Appendix B for details on the aging methodology

Publicly-accountable organisations

- Executive pay in publicly-accountable organisations (such as TfL) may be subject to a higher level of scrutiny and restraint than the broader market, and as such we have also provided data for a second comparator group, the Publicly-Accountable Group, which comprises a range of UK organisations with some degree of public accountability and, in most cases, a focus on infrastructure and transportation.
- A list of organisations included in the Publicly-Accountable Group is set out in Appendix A.

Comparison with previous exercises

- This is in line with the approach adopted for the Managing Directors in previous benchmarking exercises.
- In 2019, as agreed with TfL and the Remuneration Committee, the group was expanded to include additional relevant peer companies to a total of 14 organisations. The inclusion of certain additional peer companies (such as the utility companies, which are typically more commercially-minded) resulted in an increase over previous benchmarks for some roles. As with the private sector data, this was thought to better represent TfL's talent market.
- For this benchmarking exercise, we have used the same peer companies as in 2020 and earlier in 2021. While the data reflects the change in remuneration for a number of data points in a 'like-for-like' manner, year-on year variation is still present due to specific incumbents leaving, new joiners, changes to remuneration plans, etc.
- A number of companies have published Report and Accounts since the exercise was carried out in May 2021 and we have updated the data to account for this. For a number of roles, this results in variation on the data presented earlier in the year.
- With fewer 'other' Board directors remuneration being reported year-on-year, the sample size for the 'other' Board directors at publicly-accountable organisations had decreased, resulting in year-on-year variation. This should be borne in mind when reviewing the findings.

Role matching

- In addition to job descriptions, Aon has been provided with the Hay job evaluation outcome for each role. This was mapped to Aon’s proprietary JobLink Level (“JLL”) scale based on our experience and understanding of both systems, and the organisational structure at TfL.
- JobLink Levels are assigned to market data on the basis of the scope and responsibilities of individual roles, as well as their seniority within their organisation and the scope of the organisation itself (typically with reference to group or divisional revenue). Role matching based on JobLink therefore ensures that a robust comparison can be made between each role at TfL and the market data.
- A summary of the roles, JLL and role match is set out below:

Role	TfL Band	Hay Outcome	JobLink Level	Role Match
Commissioner	MD	3856	13.1	Chief Executive Officer
Chief Strategy Officer	MD	2676	12.2	Head of Strategic/Business Development; and/or Chief Commercial Officer
Chief HR Officer	MD	2028	12.1	Chief HR Officer/Head of HR
General Counsel	MD	[1936]	12.1	Chief Legal Officer/Head of Legal/General Counsel
Chief Safety Health & Environment Officer	MD	1936	12.1	Head of Health, Safety and Environment
Chief Operating Officer	MD	2812	12.2	Chief Operating Officer; and/or Profit Centre Head
Chief Finance Officer	MD	2328	12.1	Chief Financial Officer/Head of Finance
Chief Capital Officer	MD	2328	12.1	Chief Commercial Officer; and/or Chief Engineering Officer/Head of Engineering; and/or Profit Centre Head
Director of Corporate Affairs	DIR	1418	11.2	Head of Corporate/Public Affairs

Role matching (cont.)

ETRS Peer Group

- Benchmark data for each role has been matched to roles at TfL on the basis of:
 - Job title/description – using the job descriptions provided we have mapped to roles at TfL to the most appropriate jobs within our survey, based on their responsibilities (although job titles may not match directly); and
 - JobLink Level – to ensure that only roles with similar levels of responsibility are included.
- The large size of the ETRS Peer Group allows us to include enough data points in each data cut to produce a robust benchmark for each role.

Publicly-Accountable Group

- Given the small number of organisations within this group, the availability of data remains limited, and as such we are not able to provide role-specific benchmarks for roles below Managing Director level. We have therefore presented data as follows:
 - CEO – matched to the CEO of each comparator company;
 - CFO – matched to CFO or FD of each comparator company;
 - Other Executive Committee members – matched to the average of all 'other' Board-level directors (other than CEO and CFO) at each comparator company.

Comparison of private and public sector data

- While we would expect a difference in pay levels between private and public sectors for all roles included in this review, in our experience the difference between the two is most pronounced at a senior level. Given the nature of TfL as a business, positioning remuneration somewhere between the two separate reference points may be appropriate for the roles benchmarked.

Valuation methodology and presentation of results

Approach to benchmarking

- We have reviewed the roles on a total remuneration basis. To reflect our standard approach, total remuneration has been assessed on the basis of 'on-target' pay rather than on the basis of actual amounts of pay awarded in the year, which can be volatile, as it reflects the performance of both the company and the individual.
- Total Target Remuneration comprises:
 - base salary;
 - value of pension and benefits;
 - on-target bonus; and
 - theoretical 'expected value' or target value of long-term incentives ("EV of LTIs").
- Further details of the methodology used to value each element can be found in Appendix C.

Presentation of results

- We have shown quartile analysis of remuneration in total and for each constituent part. This approach provides an indication of how competitive each element of remuneration is in isolation as well as providing an overview of how competitive the total package is against the market.
- As quartile analysis is determined for each element independently, elements may not sum across (i.e. the median Total Target Remuneration may not equal the sum of its constituent parts).

Data sources

- The majority of data used in this exercise has been sourced from Aon's participatory Executive Total Reward Survey. Supplemental data for the Publicly-Accountable Group and other organisations, where publicly-disclosed, has been sourced from annual reports and accounts.

Interpretation of results

- It should be noted that benchmarking only provides a general guide to pay levels in broadly comparable roles. When assessing remuneration levels, in our view, it is also important to take account of a number of other factors, including, but not limited to:
 - the experience and performance of the individual;
 - the criticality of the individual to the success of the company;
 - pay and conditions throughout the company;
 - pay relativities across the population;
 - the impact of salary increases on the overall package (as bonus, long-term incentives and pension tend to be driven off base salary);
 - the size and complexity of the company;
 - company performance over the year of review; and
 - the wider economic climate.
- These factors should be taken into account when considering an individual's positioning against the market data as a below or above market positioning may be appropriate in some cases.
- In addition, as the median is simply a point in a set of data, we suggest that companies consider the 'market rate' to be a range around the median and not a single data point. In our view, roles within approximately 15% of a market median are usually considered as being in line with the market.

Consideration of multiple benchmarks

- Where multiple peer groups are used, data may be utilised in a number of ways, including:
 - Combined peer group – include data for both peer groups in each benchmark.
 - Blended peer group – carry out separate benchmarks for each peer group, and present a single combined benchmark, with each peer group weighted separately.
 - Separate benchmarks – present benchmarks for each peer group separately.
- Of the above options, the third is thought to be the most appropriate, as it is the least complex and allows TfL to consider market positioning against each group separately. We have adopted this approach for the current view.



Detailed benchmarking results

Detailed benchmarking results

Commissioner and Chief Strategy Officer

Commissioner

Benchmarked against Chief Executive Officers

		Salary		On-Target Bonus		Total Cash Compensation		Expected Value of LTIs		Total Direct Compensation	Benefits	Pension	Total Target Remuneration
		£000	£000	% of salary	£000	£000	% of salary	£000	£000	£000	£000	£000	
ETRS Peer Group	Lower quartile	£621	£438	75%	£1,118	£492	81%	£1,594	£14	£89	£1,667		
	Median	£800	£611	75%	£1,400	£700	110%	£2,039	£16	£112	£2,229		
	Upper quartile	£847	£744	93%	£1,565	£1,161	136%	£2,745	£25	£146	£2,860		
Publicly-Accountable Group	Lower quartile	£400	£54	12%	£516	£0	0%	£560	£3	£0	£578		
	Median	£515	£168	35%	£664	£0	0%	£681	£9	£60	£723		
	Upper quartile	£623	£451	60%	£1,204	£232	40%	£1,528	£16	£80	£1,644		

Benchmarking notes:

Source: Aon's participatory Executive Total Reward Survey and Annual Reports & Accounts

Chief Strategy Officer

Benchmarked against Heads of Strategic/Business Development, 'other' Board directors at publicly-accountable organisations

		Salary		On-Target Bonus		Total Cash Compensation		Expected Value of LTIs		Total Direct Compensation	Benefits	Pension	Total Target Remuneration
		£000	£000	% of salary	£000	£000	% of salary	£000	£000	£000	£000	£000	
ETRS Peer Group	Lower quartile	£330	£169	50%	£480	£131	41%	£668	£5	£38	£732		
	Median	£395	£205	60%	£603	£247	75%	£767	£11	£62	£889		
	Upper quartile	£466	£349	72%	£855	£361	85%	£1,146	£14	£82	£1,207		
Publicly-Accountable Group	Lower quartile	£212	£20	10%	£279	£0	0%	£279	£2	£21	£339		
	Median	£293	£67	32%	£371	£0	0%	£360	£13	£45	£445		
	Upper quartile	£371	£293	65%	£587	£289	70%	£876	£15	£72	£960		

Benchmarking notes:

Source: Aon's participatory Executive Total Reward Survey and Annual Reports & Accounts

Detailed benchmarking results

Chief HR Officer and General Counsel

Chief HR Officer

Benchmarked against Chief HR Officers/Heads of HR

		Salary	On-Target Bonus		Total Cash Compensation	Expected Value of LTIs		Total Direct Compensation	Benefits	Pension	Total Target Remuneration
		£000	£000	% of salary	£000	£000	% of salary	£000	£000	£000	£000
ETRS Peer Group	Lower quartile	£280	£137	43%	£410	£87	44%	£525	£11	£38	£602
	Median	£341	£200	60%	£541	£183	55%	£694	£15	£51	£776
	Upper quartile	£402	£259	65%	£631	£278	70%	£952	£17	£62	£1,072
Publicly-Accountable Group	Lower quartile	£212	£20	10%	£279	£0	0%	£279	£2	£21	£339
	Median	£293	£67	32%	£371	£0	0%	£360	£13	£45	£445
	Upper quartile	£371	£293	65%	£587	£289	70%	£876	£15	£72	£960

Benchmarking notes:

Source: Aon's participatory Executive Total Reward Survey and Annual Reports & Accounts

General Counsel

Benchmarked against General Counsels/Heads of Legal, 'other' Board directors at Publicly-accountable organisations

		Salary	On-Target Bonus		Total Cash Compensation	Expected Value of LTIs		Total Direct Compensation	Benefits	Pension	Total Target Remuneration
		£000	£000	% of salary	£000	£000	% of salary	£000	£000	£000	£000
ETRS Peer Group	Lower quartile	£245	£133	50%	£391	£95	39%	£511	£10	£37	£562
	Median	£262	£182	65%	£450	£173	66%	£652	£12	£39	£706
	Upper quartile	£376	£287	73%	£683	£288	81%	£927	£14	£48	£983
Publicly-Accountable Group	Lower quartile	£212	£20	10%	£279	£0	0%	£279	£2	£21	£339
	Median	£293	£67	32%	£371	£0	0%	£360	£13	£45	£445
	Upper quartile	£371	£293	65%	£587	£289	70%	£876	£15	£72	£960

Benchmarking notes:

Source: Aon's participatory Executive Total Reward Survey and Annual Reports & Accounts

Chief Safety Health & Environment Officer and Chief Operating Officer

Chief Health, Safety & Environment Officer

Benchmarked against Heads of Health, Safety and Environment

		Salary	On-Target Bonus		Total Cash Compensation	Expected Value of LTIs		Total Direct Compensation	Benefits	Pension	Total Target Remuneration
		£000	£000	% of salary	£000	£000	% of salary	£000	£000	£000	£000
ETRS Peer Group	Lower quartile	£220	£107	43%	£321	£68	44%	£412	£9	£30	£472
	Median	£267	£157	60%	£424	£144	55%	£544	£12	£40	£609
	Upper quartile	£315	£203	65%	£495	£218	70%	£747	£13	£48	£841
Publicly-Accountable Group	Lower quartile	£212	£20	10%	£279	£0	0%	£279	£2	£21	£339
	Median	£293	£67	32%	£371	£0	0%	£360	£13	£45	£445
	Upper quartile	£371	£293	65%	£587	£289	70%	£876	£15	£72	£960

Benchmarking notes:

Source: Aon's participatory Executive Total Reward Survey and Annual Reports & Accounts

Chief Operating Officer

Benchmarked against Chief Operating Officer and Heads of Profit Centre, 'other' board directors at publicly-accountable organisations

		Salary	On-Target Bonus		Total Cash Compensation	Expected Value of LTIs		Total Direct Compensation	Benefits	Pension	Total Target Remuneration
		£000	£000	% of salary	£000	£000	% of salary	£000	£000	£000	£000
ETRS Peer Group	Lower quartile	£341	£174	50%	£497	£136	41%	£691	£5	£39	£757
	Median	£409	£212	60%	£624	£256	75%	£793	£12	£64	£920
	Upper quartile	£482	£361	72%	£885	£373	85%	£1,185	£14	£84	£1,248
Publicly-Accountable Group	Lower quartile	£212	£20	10%	£279	£0	0%	£279	£2	£21	£339
	Median	£293	£67	32%	£371	£0	0%	£360	£13	£45	£445
	Upper quartile	£371	£293	65%	£587	£289	70%	£876	£15	£72	£960

Benchmarking notes:

Source: Aon's participatory Executive Total Reward Survey and Annual Reports & Accounts

Detailed benchmarking results

Chief Finance Officer and Chief Capital Officer

Chief Finance Officer

Benchmarked against Chief Financial Officers/Heads of Finance

		Salary		On-Target Bonus		Total Cash Compensation		Expected Value of LTIs		Total Direct Compensation	Benefits	Pension	Total Target Remuneration
		£000	£000	% of salary	£000	£000	% of salary	£000	£000	£000	£000	£000	£000
ETRS Peer Group	Lower quartile	£383	£209	50%	£580	£207	55%	£808	£13	£50	£951		
	Median	£428	£313	63%	£770	£301	71%	£987	£16	£61	£1,133		
	Upper quartile	£521	£436	94%	£930	£458	92%	£1,348	£19	£81	£1,518		
Publicly-Accountable Group	Lower quartile	£264	£41	13%	£323	£0	0%	£410	£11	£35	£480		
	Median	£337	£109	39%	£413	£52	20%	£480	£14	£47	£552		
	Upper quartile	£402	£259	60%	£675	£286	72%	£946	£17	£59	£1,007		

Benchmarking notes:

Source: Aon's participatory Executive Total Reward Survey and Annual Reports & Accounts

Chief Capital Officer

Benchmarked against Chief Commercial Officer and Chief Engineering Officer/Head of Engineering and Profit Centre Head, 'other' Board directors at Publicly-accountable organisations

		Salary		On-Target Bonus		Total Cash Compensation		Expected Value of LTIs		Total Direct Compensation	Benefits	Pension	Total Target Remuneration
		£000	£000	% of salary	£000	£000	% of salary	£000	£000	£000	£000	£000	
ETRS Peer Group	Lower quartile	£314	£153	43%	£459	£98	44%	£589	£13	£43	£674		
	Median	£382	£224	60%	£606	£205	55%	£778	£17	£57	£870		
	Upper quartile	£450	£290	65%	£707	£312	70%	£1,067	£19	£69	£1,201		
Publicly-Accountable Group	Lower quartile	£290	£141	43%	£424	£90	44%	£544	£12	£39	£623		
	Median	£353	£207	60%	£560	£190	55%	£718	£15	£53	£803		
	Upper quartile	£416	£268	65%	£654	£288	70%	£985	£17	£64	£1,109		
Publicly-Accountable Group	Lower quartile	£212	£20	10%	£279	£0	0%	£279	£2	£21	£339		
	Median	£293	£67	32%	£371	£0	0%	£360	£13	£45	£445		
	Upper quartile	£371	£293	65%	£587	£289	70%	£876	£15	£72	£960		

Benchmarking notes:

Source: Aon's participatory Executive Total Reward Survey and Annual Reports & Accounts

Director of Corporate Affairs

Director of Corporate Affairs

Benchmarked against Head of Corporate/Public Affairs

		Salary	On-Target Bonus		Total Cash Compensation	Expected Value of LTIs		Total Direct Compensation	Benefits	Pension	Total Target Remuneration
		£000	£000	% of salary	£000	£000	% of salary	£000	£000	£000	£000
ETRS Peer Group	Lower quartile	£213	£80	40%	£308	£67	34%	£354	£9	£29	£390
	Median	£245	£127	50%	£372	£119	50%	£469	£13	£38	£519
	Upper quartile	£303	£189	65%	£468	£241	79%	£752	£16	£50	£805

Benchmarking notes:

Source: Aon's participatory Executive Total Reward Survey



Appendices

ETRS Peer Group (1 of 2)

ETRS Peer Group

Peers for which we still hold data

AB Electrolux	Connect Group	J Sainsburys	Qualcomm
Accenture	Dassault Systemes	Johnson & Johnson Consumer	Rentokil Initial
Air Partner	Dell	Johnson & Johnson Medical	Rio Tinto
Amazon.Com	Dixons Carphone	Kier Group	Rolls-Royce Group
Amey	DS Smith	Land Securities Property Limited	Royal Mail
Anglian Water	Dyson	Lendlease	Schneider Electric
Anglo American	easyJet	Merlin Entertainments Limited	Shanghai Shenda
Applied Materials, Inc.	Equinor	Microsoft	Sky
Ardagh Group	FirstGroup	National Grid	Smith & Nephew
Associated British Foods	General Electric Company	NATS Limited	Sony Corporation
AstraZeneca	GlaxoSmithKline	Novartis	Takeda Pharmaceutical Company Limited
Babcock International Group	Grafton Group	Novo Nordisk	Tata Group
Bae Systems	GVC Holdings	Ocado Group	Thames Water Utilities
Balfour Beatty	Harley-Davidson, Inc.	Oracle	The Crown Estate Commissioners
BBA Aviation	Honeywell International Inc.	Parexel International	Thomas Cook Group
BP	Ibm	Pearson	Tokyo Electron Limited
Bristol-Myers Squibb	Ilex Corporation	Petrofac	William Hill
Capgemini	International Airlines Group	Pfizer Inc	Wm Morrison Supermarkets
Cisco Systems	ITV		

New additions from ETRS that have been approved by TfL

Cabinet Office	International Automotive Components	Johnson Matthey	Oshkosh Corporation
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ETRS Peer Group (2 of 2)

ETRS Peer Group

Peers for which we have aged data by 1.5%

ABBOTT LABS	Dwr Cymru Welsh Water	Johnson Controls	Siemens
Accor	E.ON	Jumeirah Group	SNC-Lavalin Group
Adecco Group	Ericsson	Kingfisher	Sodexo
Airtankers	Excel London	LafargeHolcim	Telefonica
Aman	Expedia	Leidos Holding Inc.	Telefonica Global Units
Astellas	F. Hoffman-La Roche	Low & Bonar Global	Texas Instruments
Atkins	Ferguson	LSL Property Services	Thales Us
BBC	Ferrovial SA	Mandarin Oriental Hotel Group	The British Land Company
BBC Studios	Flybe Group	Marks and Spencer Group	The Construction Industry Training Board
Boehringer Ingelheim	Forterra	McDonald's Corp	Thomson Reuters
Breedon Group	Four Seasons	Meggitt-Usa	Tullow Oil
Bunzl	Fujitsu	Merck Sharpe and Dohme	U And I Group
CALA Homes	Gardner Denver, Inc.	Mitchells & Butlers	UBER
Capital & Counties Properties	Hexcel	Motability Operations	UBM
Centrica	Hilton Worldwide	Newgistics	UCB
Coats Group	HITACHI	Nokia Oyj	United Utilities - Retail
Coca Cola	Homeserve	Nordson Corporation	United Utilities - Water Services
Compass Group	Huhtamäki	Northrop Grumman	United Utilities Group
Countryside Properties	ICF International	Oxford University Press	Uponor
Crest Nicholson	IHG	Post Office	Visteon
CSC	Imax	Rotork	Vodafone
Debenhams	Innogy npower	Royal Caribbean Cruises Ltd.	Vodafone Group
Derwent London	Intu Properties	Royal Dutch Shell	Wessex Water
Domo	Jaguar Land Rover	Schlumberger Limited	Wyndham Worldwide
Doncasters	JLL	Selfridges & Co	Yorkshire Water
Drax Group	John Lewis Partnership	Serco Group	ZF Group

Publicly Accountable Group

2021 Publicly A	ccountable Group	
Company	Revenue (£m)	No. of employees
Anglian Water	£1,351.8	4,882
BBC	£5,064.0	22,219
British Council	£1,289.0	11,523
Civil Aviation Authority	£128.0	1,208
High Speed Two Ltd	-	1,479
Highways England	-	5,810
Manchester Airport Group	£178.6	5,495
NATS	£823.0	4,227
Network Rail	£9,618.0	44,356
Nuclear Decommissioning Authority	-	14,943
Post Office	£951.0	4,027
Severn Trent	£1,827.2	7,033
Thames Water	£2,106.7	6,525
United Utilities Group	£1,808.0	5,354

Aging factor methodology

ETRS peer group

- In determining the appropriate aging factor, we have sourced data from Aon's 2020 Salary Increase and Turnover Study — Second Edition Refresh ("2020 Salary Report") and recent COVID pulse surveys.
- According to our 2020 Salary Report, the 2021 Merit Increase Budget for all industries in the UK was 2.7%.
- Our recent COVID pulse survey reported that 45% of UK companies in the relevant industries such as the energy (including mining, oil & gas, renewables and utilities), transportation and mobility industries are cancelling non-statutory base salary adjustments or merit increases for the current fiscal year.
- Based on these factors we have calculated a diluted salary increase by which to age the private sector data as follows: $(1 - 45\%) * 2.7\% = 1.5\%$.

Publicly-accountable group

- According to the Commons Library Briefing Paper published in December 2020, the Chancellor announced that public sector pay would be "paused" for 2021/22, with exceptions for NHS staff and low paid workers in light of the ongoing economic impact of COVID.
- Therefore, for the public sector data where we have previously sourced from the ETRS but no longer hold updated data for (primarily for the "other directors" benchmark), we propose not to age the data.

Benchmarking methodology

Element	Method of calculation
Salary	Current salary data if disclosed, or salary paid in the prior year if not.
Benefits	Cash equivalent value of any taxable benefits provided, including company cars, cash allowances, death, disability and healthcare insurance.
Pension	Defined contribution or cash-in-lieu payments as a percentage of current salary. For defined benefit pensions, we have used the single figure value as defined by the reporting regulations. This valuation is intended to provide a general guide to the value of the defined benefit plan, and is not an actuarially-calculated value.
On-target bonus	On-target bonus as a percentage of salary, if disclosed. If not disclosed, we have assumed an on-target bonus of 50% of the maximum bonus potential. If neither the on-target nor the maximum is disclosed, we have used the average of the actual bonus paid in the prior three years (or, for below-Board roles, the prior year only), as a percentage of salary, and applied this to the current salary.
Expected value of long-term incentives (LTIs)	Based on the company's future grant policy, if disclosed, or if not disclosed the value of long-term incentive awards made in the prior year (as a percentage of salary) is used. Where disclosure allows, where no award has been made in the prior year, an average value of awards made in the last three years is used. A market norm 'expected value' is then applied: for performance share or performance cash awards, this is 55% of face value; for market-priced options without performance conditions, 30% of face value; and for options with performance conditions, 20% of face value. Free shares without performance conditions are valued at 100% of face value.
Total Cash Compensation	Salary + on-target bonus
Total Direct Compensation	Salary + on-target bonus + expected value of LTIs
Total Target Remuneration	Salary + benefits + pension + on-target bonus + expected value of LTIs

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APPENDIX 2: Graph showing comparison ratios for Executive Committee roles to market medians for Salary and Total Target Remuneration

