

**Date:** 13 June 2018

**Item:** Annual Remuneration Benchmarking Report for Roles under the Remuneration Committee's Terms of Reference

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## **This paper will be considered in public**

### **1 Purpose**

- 1.1 Whilst there is a four-year pay freeze in Director pay throughout the current Mayoral term it is anticipated that the Remuneration Committee ('the Committee') will want to continue to monitor the relative positioning of TfL Senior Management remuneration versus the external market.
- 1.2 This paper is intended to facilitate the Committee's review and agreement of its requirements for remuneration benchmarking going forward for the roles under its Terms of Reference with a particular focus on the applicable 'peer group' to be surveyed and the preferred format for information to be presented in.

### **2 Recommendations**

- 2.1 **The Committee is asked to note the paper and:**
  - (a) **decide if and by when the Committee wants to receive Remuneration Benchmarking information for roles under its Terms of Reference (see section 7 below);**
  - (b) **note the previous (2016) benchmarking report for the Commissioner and Managing Directors (Appendix 1) and in particular the methodology used by New Bridge Street Consultants to produce the TfL benchmarking information with a focus on the separate peer groups and the weightings applied to produce the 'combined' market position;**
  - (c) **note the format the report is set out in;**
  - (d) **dependent upon decisions taken concerning the timing for the report (point (a) above), decide on what changes (if any) are required and/or desirable so these can be developed (see sections 4 and 5 below on Peer Groups and Format); and**
  - (e) **confirm the roles that are to be surveyed as part of the report (see section 6 below and Appendix 2).**

### **3 Background**

- 3.1 In previous years TfL Reward has commissioned an annual Remuneration Benchmarking report for the roles under the Committee's Terms of Reference from executive remuneration consultants New Bridge Street, part of the Aon Hewitt consulting group.
- 3.2 The purpose of the report is to provide a snapshot of how remuneration for senior management roles in TfL compares with the external market.
- 3.3 The report surveys remuneration under the following categories:
- Base Salary;
  - Total Cash (salary + on-target bonus);
  - Total Direct Compensation (salary + on-target bonus + expected value of LTI awards); and
  - Total Target Remuneration (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. The most recent 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 businesses.
- 3.6 The information in the report is derived from a combination of an executive salary survey that New Bridge Street operates along with direct research into company reports and accounts.
- 3.7 The benchmarking report for the Commissioner and Managing Directors was last produced in full in January 2016 (see Appendix 1).

### **4 Peer groups**

- 4.1 The report currently surveys the market from the perspective of two separate peer groups.
- 4.2 The Listed Companies Group consists of a bespoke selection of large transport and infrastructure companies, all of which are listed in the UK from a blend made up of FTSE 100 and FTSE 250 businesses:

Company Name	Index	Market Cap (31 Dec 2015)	Turnover	PBT	No. of Employees
		£m	£m	£m	
BT Group	FTSE100	£39,464	£17,979	£2,645	88,500
National Grid	FTSE100	£35,098	£15,201	£2,628	24,274
SSE	FTSE100	£15,373	£31,654	£735	19,965
International Consolidated Airlines Group	FTSE100	£12,365	£16,263	£668	59,484
Centrica	FTSE100	£11,057	£29,408	-£1,403	37,530
Capita	FTSE100	£8,028	£4,378	£292	62,910
easyJet	FTSE100	£6,908	£4,527	£581	8,987
United Utilities	FTSE100	£6,379	£1,720	£342	5,278
Bunzl	FTSE100	£6,318	£6,157	£300	14,609
Severn Trent	FTSE100	£5,132	£1,801	£148	7,861
Royal Mail	FTSE100	£4,440	£9,424	£400	160,518
Pennon Group	Mid250	£3,550	£1,357	£211	4,558
Balfour Beatty	Mid250	£1,863	£7,264	-£304	39,751
Thomas Cook Group	Mid250	£1,860	£8,588	-£114	22,672
National Express Group	Mid250	£1,703	£1,867	£67	41,927
Stagecoach Group	Mid250	£1,701	£3,204	£165	36,809
Amec Foster Wheeler	Mid250	£1,673	£3,993	£155	24,225
Carillion	Mid250	£1,303	£3,494	£143	27,858
FirstGroup	Mid250	£1,293	£6,051	£106	114,370
Go-Ahead Group	Mid250	£1,148	£3,215	£79	26,160
Serco Group	Mid250	£1,038	£3,955	-£1,354	95,455

4.3 A change will be required for any future report due to the demise of Carillion.

4.4 The Publicly Accountable Group consists of a relatively small bespoke selection of companies accountable to the UK public, owned, or overseen by, the government, and with a degree of extra sensitivity around pay:

Company Name	Index	Market Cap (31 Dec 2015)	Turnover	PBT	No. of Employees
		£m	£m	£m	
BBC	Unlisted	-	£4,805		18,947
Manchester Airport Group	Unlisted	-	£738		4,231
NATS	Unlisted	-	£922	£227	4,342
Network Rail	Unlisted	-	£6,087	£506	35,457
Nuclear Decommissioning Authority	Unlisted	-	£8,908		1,038
Post Office	Unlisted	-	£1,136	-£80	7,281

4.5 The report also uses the two peer groups to provide a single 'combined' benchmark in each of the remuneration categories. This is determined by calculating a weighted average position made up of 60 per cent of the Listed Companies benchmark and 40 per cent of the Publicly Accountable group benchmark.

## 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 appendices contain detailed 'graphs' 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). Compa ratios show the specific position in percentage terms against the market quartiles and the median position.
- 5.3 Key information for base pay and Total Target Remuneration is summarised over two slides for all roles in order to provide a simple internal overview.

## **6 Roles to be covered by the report**

- 6.1 Under the Committee's new Terms of Reference, the roles under its governance have increased to include key Director roles that also sit on the TfL Executive Committee alongside the Managing Directors. The full list of these roles is set out in Appendix 2.
- 6.2 It is assumed therefore that any new benchmarking report requested by the Committee will be expanded to contain information for all the roles now under its governance.

## **7 When would it be appropriate to produce the next report?**

- 7.1 The last report prepared was with effect from January 2016.
- 7.2 The Committee is currently scheduled to meet in July and November 2018 and then again in January 2019. Even if the Committee has no intention to change the existing report and/or its benchmarking methodology, it would not be possible to produce a report in time for the July 2018 meeting given the lead time the consultant will require to complete the work along with lead time for the governance processes associated with the Committee's workings.
- 7.3 Furthermore, the contract with the current reward consultancy which produces the report (New Bridge Street, part of Aon) expires on 27 January 2019. A contract for the purposes of executive remuneration benchmarking along with general reward consultancy will shortly be retendered by TfL.
- 7.4 Therefore there are a range of options with regards the timing and development of the next report that the Committee are asked to consider and decide upon. The main ones are summarised below:
- (a) to have a report produced by the current consultant as soon as possible (assuming there are no significant changes);
  - (b) to have a report produced by the current consultant ahead of the Committee's November 2018 meeting (with the Committee confirming any changes it requires to the existing report structure following its July 2018 meeting); or

- (c) to wait for the appointment of the new reward consultancy and benchmarking contract (from February 2019) and to have a report produced ahead of the annual pay and performance cycle 2019. This would allow the Committee plenty of lead time to consider its requirements and engage with the consultant to ensure these are met.

**List of appendices to this report:**

Appendix 1: Remuneration Benchmarking Report Commissioner and Managing Directors, January 2016

Appendix 2: Roles covered by the Remuneration Committee's Terms of Reference

**List of Background Papers:**

None

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# Remuneration Review – Commissioner & Managing Directors Transport for London

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11 January 2016

# Introduction

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- New Bridge Street has been asked to benchmark the remuneration of the Commissioner and Managing Directors of Transport for London (the “Company” or “TfL”).
- As in the previous benchmarking exercise carried out in March 2015, each role has been benchmarked against two comparator groups:
  - The Listed Companies Group, consisting of a bespoke selection of large transport and infrastructure companies, all of which are listed in the UK.
  - The Publicly Accountable Group, consisting of a relatively small bespoke selection of companies accountable to the UK public, owned, or overseen by, the government, and with a degree of extra sensitivity around pay.
  - Further details on these comparator groups is shown in Appendix 2. The constituents of the comparator groups are the same as in March 2015 although there may have been some changes in incumbent or the scope of the role in some organisations.
- We have used data sourced from public disclosures in the Annual Report & Accounts for Main Board-equivalent roles. Below-Board data from our participatory Executive Total Reward Survey has been used for roles below this level.
- Remuneration has been benchmarked on a ‘target’ basis. We have valued the annual bonus at on ‘target’ performance and have included long-term incentives on an ‘expected’ or ‘fair’ value basis. This is a much less volatile approach than, say, looking at the actual bonus payments or the value of share awards on vesting. A detailed explanation on how each component is valued is provided in Appendix 1.
- Please note: our data should not be viewed as precise recommendations of remuneration levels for individuals but rather a representative range within which it is appropriate to position individual base salary and total remuneration levels.
- We have also included commentary on private and public sector pay trends and an overview of considerations for an organisation such as TfL when recruiting executives from outside the public sector.

# Role matching

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- Consistent with the previous benchmarking exercise, the roles at TfL have been matched to our data as follows:

<b>Role at TfL</b>	<b>Role Level</b>
Commissioner	Main Board
MD; Finance	Main Board
MD; Rail & Underground	Main Board
MD; Surface Transport	Main Board
MD; Crossrail 2	Executive Committee
General Counsel	Executive Committee
MD; Customer Experience, Marketing & Comms	Executive Committee



# Summary of Benchmarking Results

- The table below summarises benchmark **base salaries** for each role. Benchmark data for both comparator groups is shown.
- A combined position, calculated using a 60% weighting of the Listed Companies Group, and a 40% weighting of the Publicly Accountable Group, is also shown for each role. This approach was agreed by the Remuneration Committee in March 2015.
- Prevailing remuneration rates at TfL for this population are significantly below the combined position for the majority of roles.
- Detailed benchmarking results for the two separate components are provided in Appendix 3.

Role at TfL	Current £'000	Listed Companies Group £'000	Publicly Accountable Group £'000	Combined Position £'000	Percentage of Market Level %
Commissioner	£356	£750	£471	£638	56%
Managing Director; Finance*	£275	£452	£297	£390	71%
Managing Director; Rail & Underground	£275	£488	£323	£422	65%
Managing Director; Surface Transport	£278	£488	£323	£422	66%
Managing Director; Crossrail 2	£220	£282	£167	£236	93%
General Counsel	£238	£285	£220	£259	92%
MD; Customer Experience, Marketing & Comms	£237	£334	£189	£276	86%

\*Data shown relate to the previous incumbent, Steve Allen.

## Summary of Benchmarking Results (2)

- The table below summarises **total target remuneration** benchmark results for each role:

Role at TfL	Current £'000	Listed Companies Group £'000	Publicly Accountable Group £'000	Combined Position £'000	Percentage of Market Level %
Commissioner	£569	£2,226	£701	£1,616	35%
Managing Director; Finance*	£407	£1,254	£546	£971	42%
Managing Director; Rail & Underground	£435	£1,599	£415	£1,126	39%
Managing Director; Surface Transport	£392	£1,599	£415	£1,126	35%
Managing Director; Crossrail 2	£318	£666	£255	£502	63%
General Counsel	£359	£592	£354	£497	72%
MD; Customer Experience, Marketing & Comms	£339	£838	£305	£625	54%

\*Data shown relate to the previous incumbent, Steve Allen.

## Trends in private sector pay

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- Overall, 2015 has been a year of relatively little movement in pay levels across the FTSE 100.
- Increases in senior executive base salaries across the FTSE 100 remained modest, with a median increase of 2.5% mirroring increases that were seen elsewhere in the workforce in most organisations. Similar to 2014, 21% of companies froze base pay for their executive directors. Looking forward, this accords with Aon Hewitt's annual salary increase report which reported similar increases for 2015 and estimates 2016 salary increases to be between 2.6% and 3.0%
- Levels of bonus opportunity for the highest-paid directors have shown no increase since 2010, remaining at a median level of 180% of salary in the FTSE 100. For other executive directors, the median opportunity is 150%.
- Similarly, levels of long-term incentive award have also remained broadly static with a range of practice from 200% to 300% of salary across the FTSE 100, and a median award of 250%.
- The advent of single-figure pay reporting gives a clearer sense than ever before of the total pay actually received by executive directors. Across the FTSE 100 as a whole, on a matched sample basis, the median increase in total pay for the highest-paid director was around 5%.
- Typical pension provision for senior executives is now in the form of cash payments in lieu of pension contribution; 50% of directors in the FTSE 100 receive cash, the median value being 26% of base salary. The prevalence of cash supplements is highly likely to increase following taxation changes and the further reduction of the annual allowance (£10,000 for those earning over £210,000) from April 2016.
- From an investor perspective, the Investment Association (formerly the ABI) updated its remuneration principles in November and gave indications of its areas of focus for the 2016 AGM season. These are shown on page 6. The IA's guidelines will influence how listed companies disclose their executive remuneration and shape their future remuneration policy, thus giving us a view of potential developments.

## Trends in private sector pay (continued)

### *Investment Association – Principles of Remuneration*

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- The investment Association revised its Principles of Remuneration in October 2014. In November 2015, they gave an update on certain issues they will focus on for the 2016 AGM season.
  - **Quantum remains a high profile issue:** The IA will be taking a much firmer stance on salary increases. Any base salary increases for directors within a policy period should have additional justification. This concern is amplified where salaries are increased above inflationary or workforce levels.
  - **Performance conditions:** The IA will require retrospective disclosure of annual bonus targets. This will be a focus for the 2016 AGM season. The IA will be looking for disclosure of both financial and non-quantitative targets in order to assess the relationship between performance and reward.
  - **Recruitment and leaving arrangements:** The IA highlights that for joiners, performance linked buy-out awards should not be re-issued or amended in the event that performance deteriorates. Robust justification is also expected for departing directors as to their treatment as ‘good’ or ‘bad’ leavers.
  - **Pensions** – It is suggested that the pensions of executives should be aligned with those provided to the wider workforce. The key issue relates to different structures for executive director pension provision compared to the rest of the workforce. However the IA is also of the view that higher levels of contributions (as a percentage of salary) for executives compared to the rest of the workforce are hard to justify.
  - **Service Contracts** – The IA is not adopting a position of requiring notice periods of significantly less than 12 months (up to 12 months is acceptable to most IA members). However, for new contracts they do call for equal notice periods from both the director and the company.

## Trends in public sector remuneration

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- The public sector continues to operate in an environment of funding cuts and pay restraint. Public sector pay increases have been minimal in recent years and have resulted in a real decrease in pay for most. Current pay increases are limited to 1% and expected to remain so through 2016.
- The Office of Budget Responsibility (OBR) forecasts that pay in the private sector will continue to outstrip the public sector in the period 2014 – 2018. If this prediction proves to be correct, the gap between public and private sector pay will increase to levels last seen around the Millennium when there were recruitment and retention problems in the public sector.
- The payment of performance-based pay (i.e. annual bonus and LTIP awards) remains less prevalent in the public sector than the private sector. Only around half of public-sector organisations pay annual bonuses to executives, and it is even less common for them to operate long-term incentive plans. Even if a public sector organisation has a bonus plan, it may not be feasible, in an environment of pay constraint, to make a payment under the plan.

## Pay multiples ratio

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- The findings of the Hutton Review in 2011, recommended that public sector organisations should publish a ratio of the pay of their highest paid director to the pay of their median employee. Following on from this the Local Government Transparency Code (LGTC) requires that this ratio is disclosed by all organisations covered by the Code and this includes TfL.
- We have provided some pay ratio comparison information in Appendix 2. It should be noted that not all of the publicly accountable organisations in the comparator group publish a ratio in the way required by the LGTC. Those that did so for 2014/15 were BBC (10.7) and Nuclear Decommissioning Authority (7.2). TfL's ratio was 9.62.
- To enable comparison across both comparator groups (disclosure of the ratio is not currently a requirement for listed companies) we have calculated a ratio for each organisation based on the total earnings of the Highest Paid Director to the average total earnings in the organisation. This provides a consistent approach across all of the organisations and is a methodology advocated by the High Pay Centre<sup>1</sup> as a straightforward calculation requiring nil cost to the organisation to comply. They do note however, that there may be slight differences in how organisations report their total employee costs figure and how they calculate their average employee number, but on the whole the results provide value. The resulting pay ratios for the listed group are highly variable and are influenced by size, sector and internationality of the organisation.

## Considerations when recruiting from outside the public sector

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- The biggest challenge facing TfL would be that private sector executives at equivalent job levels would be paid significantly more than in the public sector, particularly incentive pay, where typically there would be a potentially more generous bonus plan and a long term incentive plan. The individual may also receive some benefits, such as private medical care which may not be offered in the public sector.
- This may perhaps be overcome if the individual is attracted to TfL because of non-financial factors such as the feeling that the job is very worthwhile, the high profile nature and status of the role and possibly greater job security.
- However, it may be that a more likely alternative would be to recruit at a job level one below that at TfL - perhaps a 'rising star' - since the pay gap would be less.
- Since private sector employers typically offer deferred share bonuses and long-term incentives (which would be forfeit on resigning), TfL is likely to find that it will also need to consider whether and to what extent it would be willing to 'buy-out' entitlements forfeited. These can be very sizeable and could mean that certain candidates are considered out of reach.
- If amounts forfeited are bought out, it is best practice to structure the buy-out arrangements to match, as far as possible, the time of vesting and performance linkage of the forfeited awards.
- Typically, Main Board executives in the private sector would be on 12 months' notice, with 6 months most common at the level below. This may affect how long TfL would need to wait until a new recruit is able to start work. In addition, a new recruit is likely to consider the length of notice period offered by TfL, as well as the pay arrangements.

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# APPENDICES



# Benchmarking methodology

<b>Element</b>	<b>Method of calculation</b>
<b>Salary</b>	Reported current salary data.
<b>Benefits</b>	Reported cash value. For TfL, in addition to the value of allowances provided we have used a value of £1,300 for healthcare benefits.
<b>Pension</b>	Reported Defined Contribution or cash-in-lieu payments. Defined Benefit pensions are valued using broad actuarial assumptions and a normal retirement age of 60 to derive an annual equivalent value. For TfL we have assumed a retirement age of 60, and valued the pension as a capped DB pension with an accrual rate of 1/60 <sup>th</sup> .
<b>Total fixed pay</b>	Salary + benefits + pension
<b>On-target bonus</b>	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 over the last three years (as a percentage of salary for each year) and applied this to the current, or most recently disclosed salary. Note that, as requested, we have used the average payout over the last five years to represent an on-target bonus for TfL.
<b>Expected value of long-term incentives</b>	Based on company's grant policy, if disclosed, or the actual awards of options and/or LTIPs made last year as a percentage of salary (or an average of the last three years awards as a percentage of salary if no award was made in the year). We have then applied a market norm 'expected value'. For market priced options 20% of face value, for free share awards with performance conditions (i.e. LTIPs) 55% and for free shares without performance conditions 100%.
<b>Total direct compensation</b>	Salary + on-target bonus + expected value of LTI awards
<b>Total target remuneration</b>	Salary + benefits + pension + on-target bonus + expected value of LTI awards

## Appendix 2

# Comparator group constituents – Listed Companies Group

Company Name	Index	Market Cap (31 Dec 2015)	Turnover	PBT	No. of Employees	Ratio of HPD to Avg Employee	Sector
		£m	£m	£m			
BT Group	FTSE100	£39,464	£17,979	£2,645	88,500	85.9	Fixed Line Telecommunications
National Grid	FTSE100	£35,098	£15,201	£2,628	24,274	59.5	Gas, Water & Multiutilities
SSE	FTSE100	£15,373	£31,654	£735	19,965	52.7	Electricity
International Consolidated Airlines Group	FTSE100	£12,365	£16,263	£668	59,484	102.8	Travel & Leisure
Centrica	FTSE100	£11,057	£29,408	-£1,403	37,530	66.4	Gas, Water & Multiutilities
Capita	FTSE100	£8,028	£4,378	£292	62,910	76.1	Support Services
easyJet	FTSE100	£6,908	£4,527	£581	8,987	121.9	Travel & Leisure
United Utilities	FTSE100	£6,379	£1,720	£342	5,278	57.2	Gas, Water & Multiutilities
Bunzl	FTSE100	£6,318	£6,157	£300	14,609	113.4	Support Services
Severn Trent	FTSE100	£5,132	£1,801	£148	7,861	44.7	Gas, Water & Multiutilities
Royal Mail	FTSE100	£4,440	£9,424	£400	160,518	44.1	Industrial Transportation
Pennon Group	Mid250	£3,550	£1,357	£211	4,558	21.2	Gas, Water & Multiutilities
Balfour Beatty	Mid250	£1,863	£7,264	-£304	39,751	14.6	Construction & Materials
Thomas Cook Group	Mid250	£1,860	£8,588	-£114	22,672	25.3	Travel & Leisure
National Express Group	Mid250	£1,703	£1,867	£67	41,927	77.0	Travel & Leisure
Stagecoach Group	Mid250	£1,701	£3,204	£165	36,809	44.4	Travel & Leisure
Amec Foster Wheeler	Mid250	£1,673	£3,993	£155	24,225	27.1	Oil Equipment & Services
Carillion	Mid250	£1,303	£3,494	£143	27,858	36.7	Support Services
FirstGroup	Mid250	£1,293	£6,051	£106	114,370	66.5	Travel & Leisure
Go-Ahead Group	Mid250	£1,148	£3,215	£79	26,160	52.4	Travel & Leisure
Serco Group	Mid250	£1,038	£3,955	-£1,354	95,455	118.8	Support Services
Lower Quartile		£1,701	£3,215	£79	19,965	44.1	
<b>Median</b>		<b>£4,440</b>	<b>£4,527</b>	<b>£165</b>	<b>27,858</b>	<b>57.2</b>	
Upper Quartile		£8,028	£9,424	£400	59,484	77.0	
<b>Transport for London</b>	<b>Unlisted</b>		<b>£8,821</b>		<b>26,745</b>	<b>6.9</b>	<b>Transport</b>

Note:

PBT = Profit Before Tax

HPD = Highest Paid Director

## Appendix 2

# Comparator group constituents – Publicly Accountable Group

Company Name	Index	Market Cap (31 Dec 2015) £m	Turnover £m	PBT £m	No. of Employees	Ratio of HPD to Avg Employee Pay	Sector
BBC	Unlisted	-	£4,805		18,947	7.6	Media
Manchester Airport Group	Unlisted	-	£738		4,231	45.4	Transport
NATS	Unlisted	-	£922	£227	4,342	8.9	Transport
Network Rail	Unlisted	-	£6,087	£506	35,457	14.2	Infrastructure
Nuclear Decommissioning Authority	Unlisted	-	£8,908		1,038	7.8	Energy
Post Office	Unlisted	-	£1,136	-£80	7,281	16.0	Retail
Lower Quartile			£976		4,259		
<b>Median</b>			<b>£2,971</b>		<b>5,812</b>	<b>11.6</b>	
Upper Quartile			£5,767		16,031		
<b>Transport for London</b>	<b>Unlisted</b>		<b>£8,821</b>		<b>26,745</b>	<b>6.9</b>	<b>Transport</b>

Note:

PBT = Profit Before Tax

HPD = Highest Paid Director

# Appendix 3 – Benchmarking Results

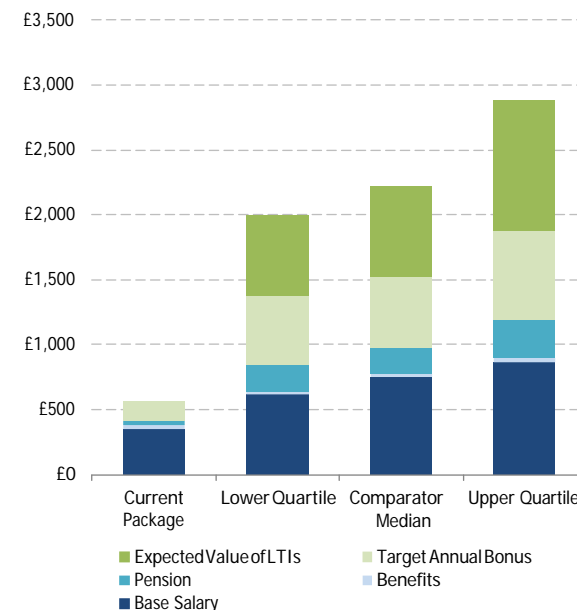
## Commissioner – Listed Companies Group

### Commissioner

Mike Brown

November 2015

		Current Package	Lower Quartile	Comparator Median	Upper Quartile	Percentage of Median
<b>Base Salary</b>	£000s	<b>£356</b>	<b>£623</b>	<b>£750</b>	<b>£868</b>	<b>47%</b>
Target Annual Bonus	£000s	£152	£444	£593	£660	
	% of salary	43%	60%	75%	100%	
<b>Total Cash Compensation</b>	£000s	<b>£508</b>	<b>£1,117</b>	<b>£1,299</b>	<b>£1,596</b>	<b>39%</b>
Expected Value of LTIs	£000s	£0	£502	£772	£979	
	% of salary	0%	80%	104%	132%	
<b>Total Direct Compensation</b>	£000s	<b>£508</b>	<b>£1,689</b>	<b>£1,962</b>	<b>£2,607</b>	<b>26%</b>
Benefits	£000s	£25	£16	£25	£32	
Pension	£000s	£36	£165	£229	£281	
<b>Total Target Remuneration</b>	£000s	<b>£569</b>	<b>£1,997</b>	<b>£2,226</b>	<b>£2,882</b>	<b>26%</b>



#### Benchmarking Notes

Role Match: Main Board Chief Executive Officers and Executive Chairmen  
 Comparator Group: Listed Companies Group  
 Data Source: Reports & Accounts  
 Reporting Level: 1

- Base salary for this role is below the lower quartile compared to the Listed Companies Group.
- Chief Executives in large listed companies now typically receive a cash payment in lieu of pension contributions which is typically in the range of 30-35% of base salary.
- On-target bonus payments, at 43% of salary, are below market levels.
- Total target remuneration is significantly below the lower quartile.

# Appendix 3 – Benchmarking Results

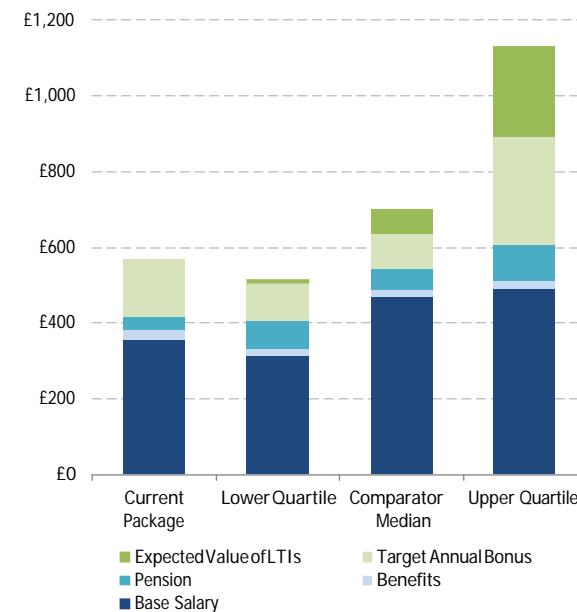
## Commissioner – Publicly Accountable Group

### Commissioner

Mike Brown

November 2015

		Current Package	Lower Quartile	Comparator Median	Upper Quartile	Percentage of Median
<b>Base Salary</b>	£000s	<b>£356</b>	<b>£316</b>	<b>£471</b>	<b>£492</b>	<b>76%</b>
Target Annual Bonus	£000s	£152	£68	£95	£250	
	% of salary	43%	14%	20%	45%	
<b>Total Cash Compensation</b>	£000s	<b>£508</b>	<b>£394</b>	<b>£602</b>	<b>£742</b>	<b>84%</b>
Expected Value of LTIs	£000s	£0	£9	£65	£206	
	% of salary	0%	3%	25%	46%	
<b>Total Direct Compensation</b>	£000s	<b>£508</b>	<b>£458</b>	<b>£608</b>	<b>£1,037</b>	<b>83%</b>
Benefits	£000s	£25	£11	£15	£17	
Pension	£000s	£36	£53	£58	£82	
<b>Total Target Remuneration</b>	£000s	<b>£569</b>	<b>£517</b>	<b>£701</b>	<b>£1,131</b>	<b>81%</b>



#### Benchmarking Notes

Role Match: Main Board Chief Executive Officers and Executive Chairmen  
 Comparator Group: Publicly Accountable Group  
 Data Source: Reports & Accounts  
 Reporting Level: 1

- Base salary for this role is below the median of the Publicly Accountable Group.
- On-target bonus payments, at 43% of salary, are at the upper quartile.
- While not all comparators award a long-term incentive, the median expected value of those which do is around 25% of salary.
- Total target remuneration is between the lower quartile and median.

# Appendix 3 – Benchmarking Results

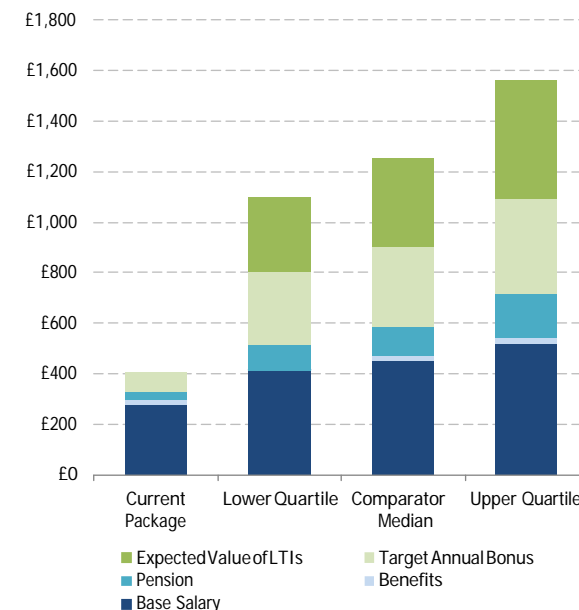
## Managing Director; Finance – Listed Companies Group

### Managing Director; Finance

November 2015

No incumbent (previous incumbent data shown)

		Current Package	Lower Quartile	Comparator Median	Upper Quartile	Percentage of Median
<b>Base Salary</b>	£000s	<b>£275</b>	<b>£414</b>	<b>£452</b>	<b>£518</b>	<b>61%</b>
Target Annual Bonus	£000s	£76	£256	£317	£387	
	% of salary	28%	60%	65%	84%	
<b>Total Cash Compensation</b>	£000s	<b>£351</b>	<b>£686</b>	<b>£768</b>	<b>£896</b>	<b>46%</b>
Expected Value of LTIs	£000s	£0	£259	£346	£490	
	% of salary	0%	63%	83%	97%	
<b>Total Direct Compensation</b>	£000s	<b>£351</b>	<b>£972</b>	<b>£1,178</b>	<b>£1,358</b>	<b>30%</b>
Benefits	£000s	£20	£2	£18	£23	
Pension	£000s	£36	£84	£117	£182	
<b>Total Target Remuneration</b>	£000s	<b>£407</b>	<b>£1,102</b>	<b>£1,254</b>	<b>£1,563</b>	<b>32%</b>



#### Benchmarking Notes

Role Match: Main Board Finance Directors  
 Comparator Group: Listed Companies Group  
 Data Source: Reports & Accounts  
 Reporting Level: 2

- Note that as there is no current incumbent for this role, we have shown above remuneration paid to the previous MD; Finance, Steve Allen. Both base salary and total target remuneration are below the lower quartile against the Listed Companies Group.
- Finance Directors in large listed companies now typically receive a cash payment in lieu of pension which is typically around 25% of base salary.

# Appendix 3 – Benchmarking Results

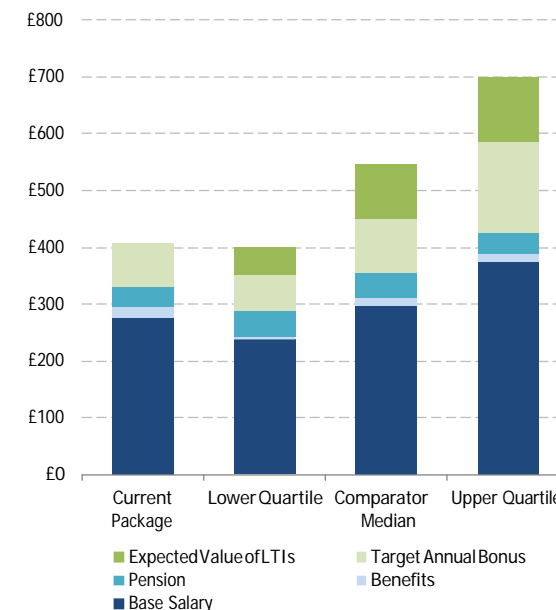
## Managing Director; Finance – Publicly Accountable Group

### Managing Director; Finance

November 2015

No incumbent (previous incumbent data shown)

		Current Package	Lower Quartile	Comparator Median	Upper Quartile	Percentage of Median
<b>Base Salary</b>	£000s	<b>£275</b>	<b>£238</b>	<b>£297</b>	<b>£375</b>	<b>93%</b>
Target Annual Bonus	£000s	£76	£45	£71	£158	
	% of salary	28%	14%	20%	30%	
<b>Total Cash Compensation</b>	£000s	<b>£351</b>	<b>£328</b>	<b>£428</b>	<b>£478</b>	<b>82%</b>
Expected Value of LTIs	£000s	£0	£33	£71	£112	
	% of salary	0%	15%	24%	33%	
<b>Total Direct Compensation</b>	£000s	<b>£351</b>	<b>£359</b>	<b>£486</b>	<b>£611</b>	<b>72%</b>
Benefits	£000s	£20	£2	£11	£14	
Pension	£000s	£36	£32	£33	£37	
<b>Total Target Remuneration</b>	£000s	<b>£407</b>	<b>£399</b>	<b>£546</b>	<b>£699</b>	<b>74%</b>



#### Benchmarking Notes

Role Match: Main Board Finance Directors  
 Comparator Group: Publicly Accountable Group  
 Data Source: Reports & Accounts  
 Reporting Level: 2

- Note that as there is no current incumbent for this role, we have shown above remuneration paid to the previous MD; Finance, Steve Allen. Base salary is between the lower quartile and median against the Publicly Accountable Group. Total target remuneration is close to the lower quartile.
- While not all comparators pay any long-term incentive, the median expected value of those which do is around 24% of salary.

# Appendix 3 – Benchmarking Results

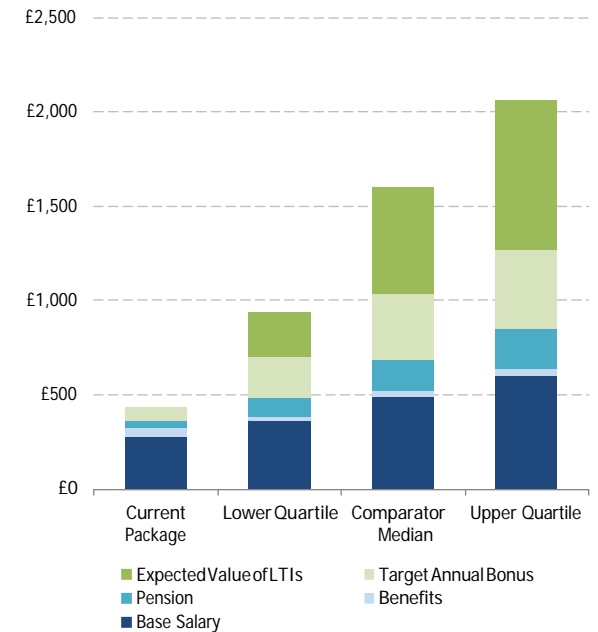
## Managing Director; Rail & Underground – Listed Companies Group

### Managing Director; Rail & Underground

November 2015

Nick Brown

		Current Package	Lower Quartile	Comparator Median	Upper Quartile	Percentage of Median
<b>Base Salary</b>	£000s	<b>£275</b>	<b>£365</b>	<b>£488</b>	<b>£601</b>	<b>56%</b>
Target Annual Bonus	£000s	£76	£182	£305	£433	
	% of salary	28%	60%	63%	65%	
<b>Total Cash Compensation</b>	£000s	<b>£351</b>	<b>£547</b>	<b>£793</b>	<b>£1,052</b>	<b>44%</b>
Expected Value of LTIs	£000s	£0	£201	£502	£806	
	% of salary	0%	54%	75%	110%	
<b>Total Direct Compensation</b>	£000s	<b>£351</b>	<b>£748</b>	<b>£1,599</b>	<b>£1,759</b>	<b>22%</b>
Benefits	£000s	£48	£17	£23	£41	
Pension	£000s	£36	£83	£154	£210	
<b>Total Target Remuneration</b>	£000s	<b>£435</b>	<b>£938</b>	<b>£1,599</b>	<b>£2,062</b>	<b>27%</b>



#### Benchmarking Notes

Role Match:	Main Board
Comparator Group:	Listed Companies Group
Data Source:	Reports & Accounts
Reporting Level:	2
Divisional Revenue:	£2,800m

- Base salary for this role is below the lower quartile compared to the Listed Companies Group.
- Pension contributions at this level are now typically paid as a cash allowance of around 25% of base salary.
- On-target bonus payments, at 28% of salary, are below market levels.
- Total target remuneration is significantly below the lower quartile.



# Appendix 3 – Benchmarking Results

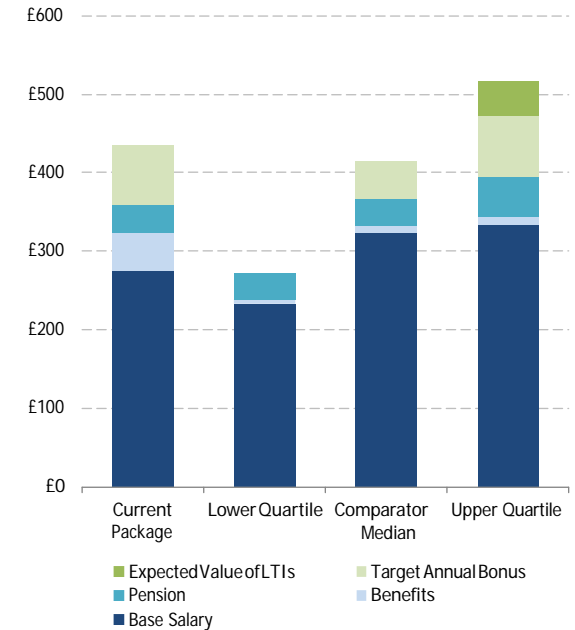
## Managing Director; Rail & Underground – Publicly Accountable Group

### Managing Director; Rail & Underground

November 2015

Nick Brown

		Current Package	Lower Quartile	Comparator Median	Upper Quartile	Percentage of Median
<b>Base Salary</b>	£000s	<b>£275</b>	<b>£234</b>	<b>£323</b>	<b>£333</b>	<b>85%</b>
Target Annual Bonus	£000s	£76	£0	£57	£101	
	% of salary	28%	0%	25%	30%	
<b>Total Cash Compensation</b>	£000s	<b>£351</b>	<b>£232</b>	<b>£323</b>	<b>£435</b>	<b>109%</b>
Expected Value of LTIs	£000s	£0	£0	£0	£57	
	% of salary	0%	0%	0%	30%	
<b>Total Direct Compensation</b>	£000s	<b>£351</b>	<b>£232</b>	<b>£343</b>	<b>£492</b>	<b>102%</b>
Benefits	£000s	£48	£5	£11	£13	
Pension	£000s	£36	£35	£43	£66	
<b>Total Target Remuneration</b>	£000s	<b>£435</b>	<b>£272</b>	<b>£415</b>	<b>£517</b>	<b>105%</b>



#### Benchmarking Notes

Role Match:	Main Board
Comparator Group:	Publicly Accountable Group
Data Source:	Reports & Accounts
Reporting Level:	2
Divisional Revenue:	£2,800m

- Base salary for this role is between the lower quartile and the median of the Publicly Accountable Group.
- On-target bonus payments, at 28% of salary, are between the median and upper quartile.
- While not all comparators pay any long-term incentive, the median expected value of those which do is around 25% of salary.
- Total target remuneration is between the median and upper quartile.

# Appendix 3 – Benchmarking Results

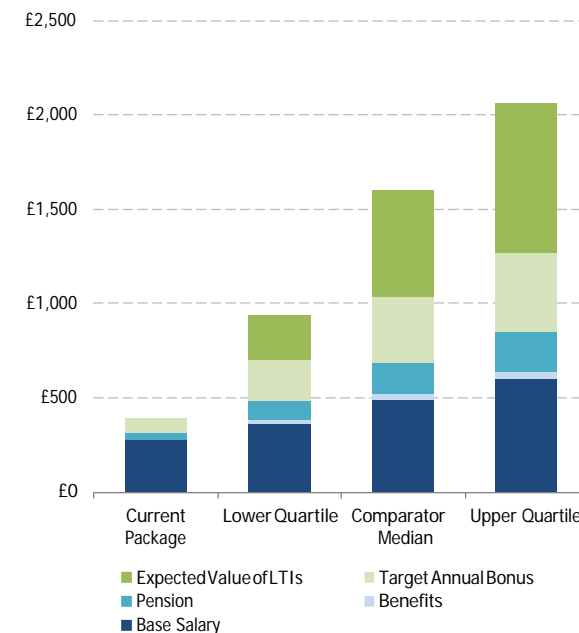
## Managing Director; Surface Transport – Listed Companies Group

### Managing Director; Surface Transport

November 2015

Leon Daniels

		Current Package	Lower Quartile	Comparator Median	Upper Quartile	Percentage of Median
<b>Base Salary</b>	£000s	<b>£278</b>	<b>£365</b>	<b>£488</b>	<b>£601</b>	<b>57%</b>
Target Annual Bonus	£000s	£77	£182	£305	£433	
	% of salary	28%	60%	63%	65%	
<b>Total Cash Compensation</b>	£000s	<b>£354</b>	<b>£547</b>	<b>£793</b>	<b>£1,052</b>	<b>45%</b>
Expected Value of LTIs	£000s	£0	£201	£502	£806	
	% of salary	0%	54%	75%	110%	
<b>Total Direct Compensation</b>	£000s	<b>£354</b>	<b>£748</b>	<b>£1,599</b>	<b>£1,759</b>	<b>22%</b>
Benefits	£000s	£1	£17	£23	£41	
Pension	£000s	£36	£83	£154	£210	
<b>Total Target Remuneration</b>	£000s	<b>£392</b>	<b>£938</b>	<b>£1,599</b>	<b>£2,062</b>	<b>24%</b>



#### Benchmarking Notes

Role Match: Main Board  
 Comparator Group: Listed Companies Group  
 Data Source: Reports & Accounts  
 Reporting Level: 2  
 Divisional Revenue: £1,935m

- Base salary for this role is below the lower quartile compared to the Listed Companies Group.
- Pension contributions at this level are now typically paid as a cash allowance of around 25% of base salary.
- On-target bonus payments, at 28% of salary, are below market levels.
- Total target remuneration is significantly below the lower quartile.

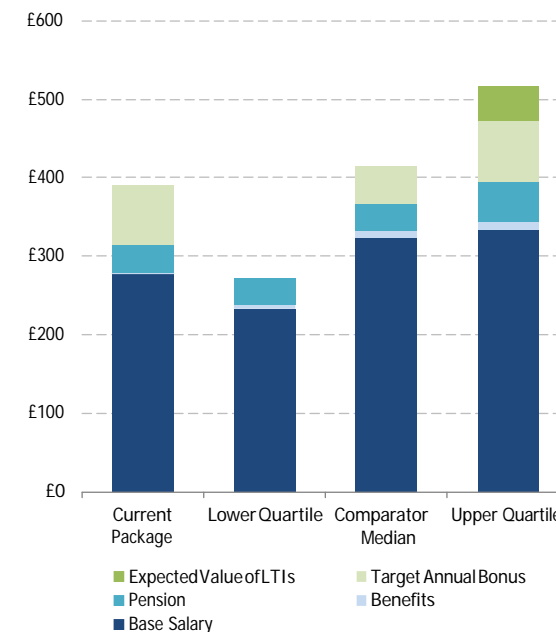
# Managing Director; Surface Transport – Publicly Accountable Group

### Managing Director; Surface Transport

November 2015

Leon Daniels

		Current Package	Lower Quartile	Comparator Median	Upper Quartile	Percentage of Median
<b>Base Salary</b>	£000s	<b>£278</b>	<b>£234</b>	<b>£323</b>	<b>£333</b>	<b>86%</b>
Target Annual Bonus	£000s	£77	£0	£57	£101	
	% of salary	28%	0%	25%	30%	
<b>Total Cash Compensation</b>	£000s	<b>£354</b>	<b>£232</b>	<b>£323</b>	<b>£435</b>	<b>110%</b>
Expected Value of LTIs	£000s	£0	£0	£0	£57	
	% of salary	0%	0%	0%	30%	
<b>Total Direct Compensation</b>	£000s	<b>£354</b>	<b>£232</b>	<b>£343</b>	<b>£492</b>	<b>103%</b>
Benefits	£000s	£1	£5	£11	£13	
Pension	£000s	£36	£35	£43	£66	
<b>Total Target Remuneration</b>	£000s	<b>£392</b>	<b>£272</b>	<b>£415</b>	<b>£517</b>	<b>94%</b>



#### Benchmarking Notes

Role Match:	Main Board
Comparator Group:	Publicly Accountable Group
Data Source:	Reports & Accounts
Reporting Level:	2
Divisional Revenue:	£1,935m

- Base salary for this role is between the lower quartile and the median of the Publicly Accountable Group.
- On-target bonus payments, at 28% of salary, are between the median and upper quartile.
- While not all comparators pay any long-term incentive, the median expected value of those which do is around 25% of salary.
- Total target remuneration is between the median and lower quartile.

# Appendix 3 – Benchmarking Results

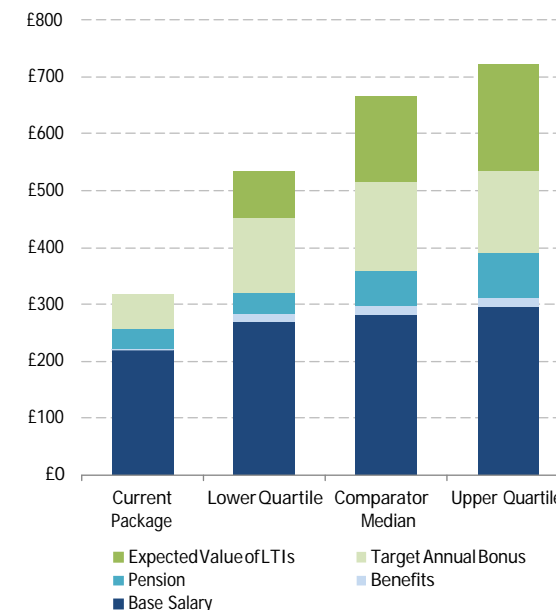
## Managing Director; Crossrail 2 – Listed Companies Group

### Managing Director; Crossrail 2

November 2015

Michele Dix

		Current Package	Lower Quartile	Comparator Median	Upper Quartile	Percentage of Median
<b>Base Salary</b>	£000s	<b>£220</b>	<b>£271</b>	<b>£282</b>	<b>£296</b>	<b>78%</b>
Target Annual Bonus	£000s	£61	£136	£145	£150	
	% of salary	28%	46%	50%	50%	
<b>Total Cash Compensation</b>	£000s	<b>£281</b>	<b>£408</b>	<b>£438</b>	<b>£450</b>	<b>64%</b>
Expected Value of LTIs	£000s	£0	£85	£141	£200	
	% of salary	0%	37%	46%	71%	
<b>Total Direct Compensation</b>	£000s	<b>£281</b>	<b>£473</b>	<b>£597</b>	<b>£651</b>	<b>47%</b>
Benefits	£000s	£1	£12	£14	£14	
Pension	£000s	£36	£41	£59	£86	
<b>Total Target Remuneration</b>	£000s	<b>£318</b>	<b>£534</b>	<b>£666</b>	<b>£723</b>	<b>48%</b>



#### Benchmarking Notes

Role Match: Executive Committee Heads of Strategic Planning & Business Development  
 Comparator Group: Listed Companies Group  
 Data Source: New Bridge Street's participatory Executive Total Reward Survey  
 Reporting Level: 2

- Note: this benchmark takes account of the project and planning leadership dimension to this role.
- Base salary for this role is below the lower quartile compared to the Listed Companies Group.
- On-target bonus payments, at 28% of salary, are below market levels.
- Total target remuneration is below the lower quartile.

# Appendix 3 – Benchmarking Results

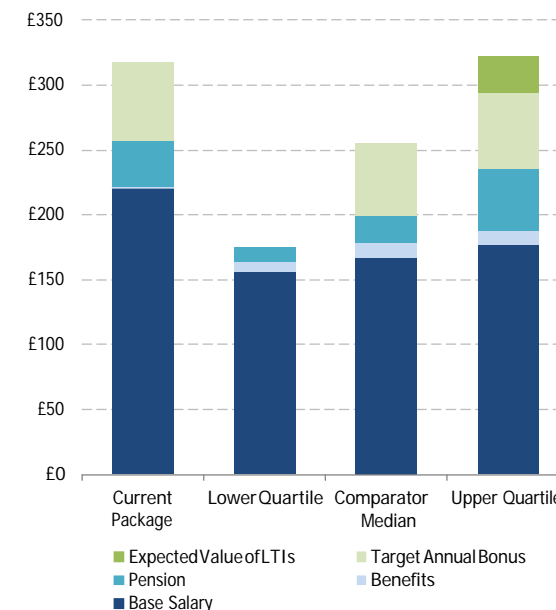
## Managing Director; Crossrail 2 – Publicly Accountable Group

### Managing Director; Crossrail 2

November 2015

Michele Dix

		Current Package	Lower Quartile	Comparator Median	Upper Quartile	Percentage of Median
<b>Base Salary</b>	£000s	<b>£220</b>	<b>£157</b>	<b>£167</b>	<b>£177</b>	<b>132%</b>
Target Annual Bonus	£000s	£61	£0	£45	£54	
	% of salary	28%	0%	25%	30%	
<b>Total Cash Compensation</b>	£000s	<b>£281</b>	<b>£157</b>	<b>£230</b>	<b>£240</b>	<b>122%</b>
Expected Value of LTIs	£000s	£0	£0	£0	£26	
	% of salary	0%	0%	0%	15%	
<b>Total Direct Compensation</b>	£000s	<b>£281</b>	<b>£155</b>	<b>£228</b>	<b>£266</b>	<b>123%</b>
Benefits	£000s	£1	£8	£9	£10	
Pension	£000s	£36	£13	£17	£44	
<b>Total Target Remuneration</b>	£000s	<b>£318</b>	<b>£175</b>	<b>£255</b>	<b>£322</b>	<b>125%</b>



#### Benchmarking Notes

Role Match: Executive Committee Heads of Strategic Planning & Business Development  
 Comparator Group: Publicly Accountable Group  
 Data Source: Reports & Accounts  
 Reporting Level: 2

- Note: this benchmark takes account of the project and planning leadership dimension to this role
- Base salary for this role is above the upper quartile of the Publicly Accountable Group.
- On-target bonus payments, at 28% of salary, are between the median and upper quartile.
- While not all comparators pay any long-term incentive, the typical expected value of those which do is around 15% of salary.
- Total target remuneration is around the upper quartile.

# Appendix 3 – Benchmarking Results

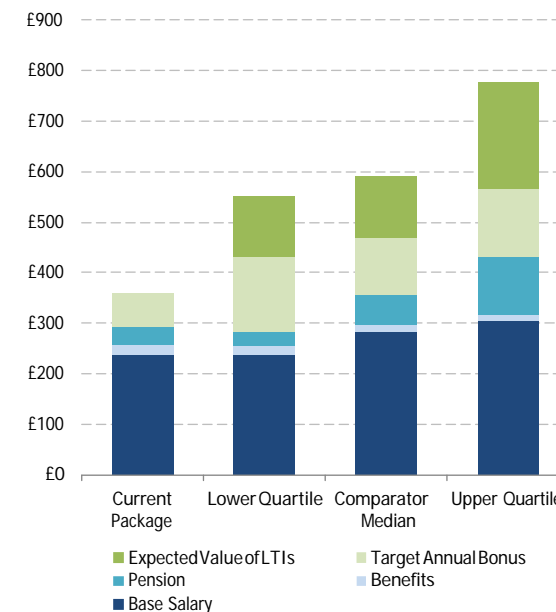
## General Counsel – Listed Companies Group

### General Counsel

November 2015

Howard Carter

		Current Package	Lower Quartile	Comparator Median	Upper Quartile	Percentage of Median
<b>Base Salary</b>	£000s	<b>£238</b>	<b>£239</b>	<b>£285</b>	<b>£304</b>	<b>84%</b>
Target Annual Bonus	£000s	£66	£124	£144	£151	
	% of salary	28%	48%	50%	60%	
<b>Total Cash Compensation</b>	£000s	<b>£303</b>	<b>£380</b>	<b>£427</b>	<b>£445</b>	<b>71%</b>
Expected Value of LTIs	£000s	£0	£101	£160	£238	
	% of salary	0%	45%	69%	77%	
<b>Total Direct Compensation</b>	£000s	<b>£303</b>	<b>£491</b>	<b>£546</b>	<b>£681</b>	<b>56%</b>
Benefits	£000s	£20	£12	£15	£16	
Pension	£000s	£36	£26	£80	£128	
<b>Total Target Remuneration</b>	£000s	<b>£359</b>	<b>£549</b>	<b>£592</b>	<b>£778</b>	<b>61%</b>



#### Benchmarking Notes

Role Match: Executive Committee Heads of Legal and General Counsels  
 Comparator Group: Listed Companies Group  
 Data Source: New Bridge Street's participatory Executive Total Reward Survey  
 Reporting Level: 2

- Base salary for this role is at the lower quartile compared to the Listed Companies Group.
- On-target bonus payments, at 28% of salary, are below market levels.
- Total target remuneration is below the lower quartile.

# Appendix 3 – Benchmarking Results

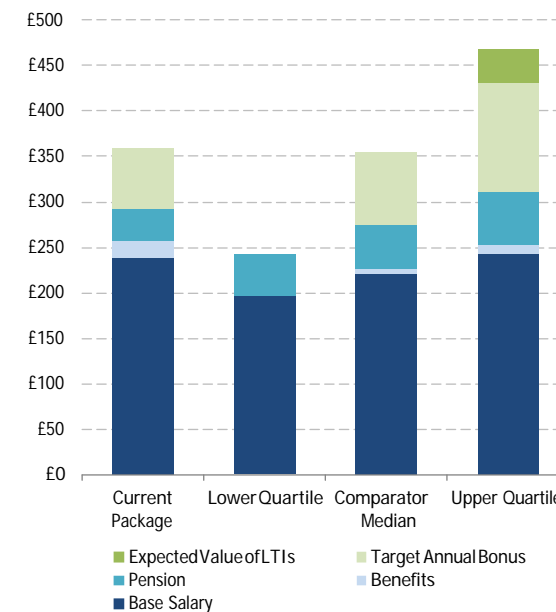
## General Counsel – Publicly Accountable Group

### General Counsel

November 2015

Howard Carter

		Current Package	Lower Quartile	Comparator Median	Upper Quartile	Percentage of Median
<b>Base Salary</b>	£000s	<b>£238</b>	<b>£197</b>	<b>£220</b>	<b>£242</b>	<b>108%</b>
Target Annual Bonus	£000s	£66	£0	£58	£100	
	% of salary	28%	0%	15%	30%	
<b>Total Cash Compensation</b>	£000s	<b>£303</b>	<b>£215</b>	<b>£300</b>	<b>£343</b>	<b>101%</b>
Expected Value of LTIs	£000s	£0	£0	£0	£31	
	% of salary	0%	0%	0%	20%	
<b>Total Direct Compensation</b>	£000s	<b>£303</b>	<b>£217</b>	<b>£300</b>	<b>£394</b>	<b>101%</b>
Benefits	£000s	£20	£0	£5	£9	
Pension	£000s	£36	£30	£36	£48	
<b>Total Target Remuneration</b>	£000s	<b>£359</b>	<b>£243</b>	<b>£354</b>	<b>£468</b>	<b>101%</b>



#### Benchmarking Notes

Role Match: Executive Committee Heads of Legal and General Counsels  
 Comparator Group: Publicly Accountable Group  
 Data Source: New Bridge Street's participatory Executive Total Reward Survey  
 Reporting Level: 2

- Base salary for this role is around the upper quartile of the Publicly Accountable Group.
- On-target bonus payments, at 28% of salary, are between the median and upper quartile.
- While not all comparators pay any long-term incentive, the median expected value of those which do is around 15% of salary.
- Total target remuneration is around the median.

## Appendix 3 – Benchmarking Results

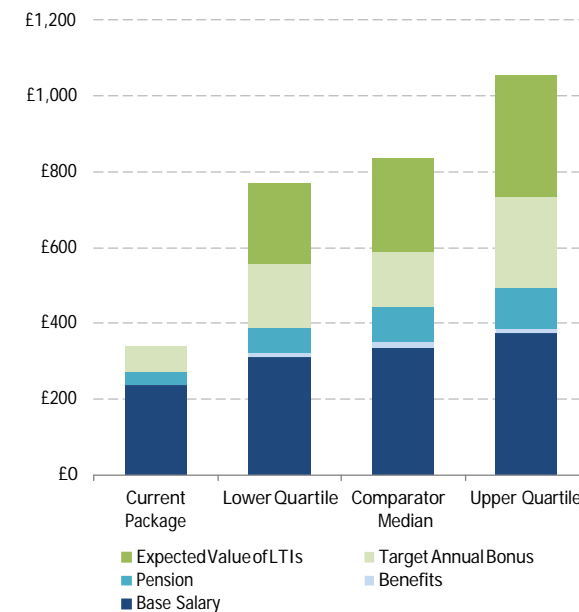
# MD; Customer, Marketing & Comms – Listed Companies Group

### MD; Customer Experience, Marketing & Comms

November 2015

Vernon Everitt

		Current Package	Lower Quartile	Comparator Median	Upper Quartile	Percentage of Median
<b>Base Salary</b>	£000s	<b>£237</b>	<b>£312</b>	<b>£334</b>	<b>£373</b>	<b>71%</b>
Target Annual Bonus	£000s	£65	£154	£167	£270	
	% of salary	28%	49%	50%	61%	
<b>Total Cash Compensation</b>	£000s	<b>£302</b>	<b>£471</b>	<b>£500</b>	<b>£629</b>	<b>60%</b>
Expected Value of LTIs	£000s	£0	£196	£283	£355	
	% of salary	0%	58%	83%	110%	
<b>Total Direct Compensation</b>	£000s	<b>£302</b>	<b>£656</b>	<b>£781</b>	<b>£954</b>	<b>39%</b>
Benefits	£000s	£1	£15	£17	£20	
Pension	£000s	£36	£59	£105	£118	
<b>Total Target Remuneration</b>	£000s	<b>£339</b>	<b>£776</b>	<b>£838</b>	<b>£1,058</b>	<b>40%</b>



#### Benchmarking Notes

Role Match: Executive Committee Heads of Sales, Marketing and Communications  
 Comparator Group: Listed Companies Group  
 Data Source: New Bridge Street's participatory Executive Total Reward Survey  
 Reporting Level: 2

- Base salary for this role is below the lower quartile compared to the Listed Companies Group.
- On-target bonus payments, at 28% of salary, are below market levels.
- Total target remuneration is below the lower quartile.



# Appendix 3 – Benchmarking Results

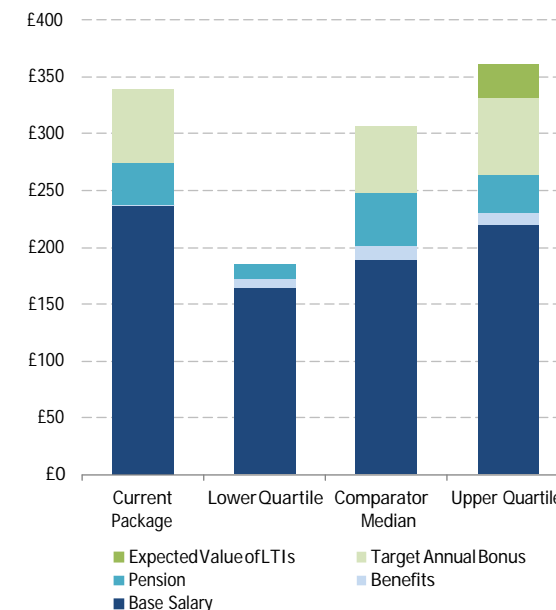
## MD; Customer, Marketing & Comms – Publicly Accountable Group

### MD; Customer Experience, Marketing & Comms

November 2015

Vernon Everitt

		Current Package	Lower Quartile	Comparator Median	Upper Quartile	Percentage of Median
<b>Base Salary</b>	£000s	<b>£237</b>	<b>£165</b>	<b>£189</b>	<b>£220</b>	<b>125%</b>
Target Annual Bonus	£000s	£65	£0	£28	£78	
	% of salary	28%	0%	15%	30%	
<b>Total Cash Compensation</b>	£000s	<b>£302</b>	<b>£165</b>	<b>£252</b>	<b>£293</b>	<b>120%</b>
Expected Value of LTIs	£000s	£0	£0	£0	£33	
	% of salary	0%	0%	0%	20%	
<b>Total Direct Compensation</b>	£000s	<b>£302</b>	<b>£165</b>	<b>£277</b>	<b>£310</b>	<b>109%</b>
Benefits	£000s	£1	£0	£5	£10	
Pension	£000s	£36	£13	£23	£37	
<b>Total Target Remuneration</b>	£000s	<b>£339</b>	<b>£178</b>	<b>£305</b>	<b>£359</b>	<b>111%</b>



#### Benchmarking Notes

Role Match: Executive Committee Heads of Sales, Marketing and Communications  
 Comparator Group: Publicly Accountable Group  
 Data Source: New Bridge Street's participatory Executive Total Reward Survey  
 Reporting Level: 2

- Base salary for this role is above the upper quartile of the Publicly Accountable Group.
- On-target bonus payments, at 28% of salary, are around the upper quartile.
- While not all comparators pay any long-term incentive, the median expected value of those which do is around 20% of salary.
- Total target remuneration is between the median and upper quartile.

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## **Roles Covered by the Remuneration Committee's Terms of Reference**

The Committee will review from time to time the remuneration of the following Officers:

- the Commissioner
- the Chief Finance Officer
- the General Counsel
- the Managing Director, Customers, Communication & Technology
- the Managing Director, Crossrail 2
- the Managing Director, London Underground
- the Managing Director, Surface Transport
- the Director of Commercial Development
- the Director of City Planning
- the Chief People Officer
- the Director of Major Projects
- the Transformation Director