

## **Remuneration Committees Key Principles and Policy**

### **1. General Principles:**

- The Governing Body should have in place a policy and arrangements for determining the pay of senior staff.
- The processes used by the remuneration committee should be discussed by the whole governing body and each year in advance of the committee's annual review of salaries the governing body should provide policy advice to the Remuneration Committee.
- There should be a policy on VS payments – this has been issued by the SFC.
- These must ensure that senior staff are appropriately remunerated with regard to performance and retention.
- They must be robust on the use of funds, implement the policy and make decisions that are fair justified and equitable.
- They must report to the governing body in sufficient detail including clarity on the nature of the benchmarking material used to enable the Board to assure that a fair, rigorous sound process has taken place as overall responsibility for this sits with the Board.
- The committee's decisions on pay must be evidence based and should be informed by a robust system of monitoring individual and team performance against agreed objectives.
- In addition, the committee must consider comparative information on salaries and benefits.
- Transparency serves to maintain trust in an organisation and the Board should consider what is in the public domain e.g. a number of universities publish salary information.

### **2. Committee Membership and Processes**

- Membership – at least 3 three independent members, one a member of the finance committee and members with substantial experience of remuneration committees. The Chair of the governing body/Board under the Code of Good Governance should not be the Chair of this committee. Principal should be consulted on remuneration relating to other senior post holders and should attend meetings of the committee except where the committee is discussion his/her remuneration. The remit should be determined by the governing body.
- The Board Secretary should service this committee and have the means to commission external professional advice as required.
- The remuneration committee should meet often enough and for long enough to ensure that its business is transacted thoroughly and with enough attention to detail.

- 3.** The work of this committee should be included in the internal audit plan. This is to be discussed by the Board.

(Source: Guidance Note on the Operation of Remuneration Committees in Scottish Higher Education. Committee of Scottish Chairs August 2015.)

### **Additional Guidance**

1. In its deliberations the Remuneration Committee will need to take account of a range of information. In the case of the head of an institution and senior managers, this will include evidence of performance against agreed objectives measured by appraisal. It is important for the committee to differentiate between personal and institutional performance. This is especially relevant where pay rises above the average or performance bonuses are being awarded.
2. Comparative information should be sought. Internal benchmarks may be used. For example, comparing remuneration as a multiple of median academic salaries. Professional HR consultants can be used to provide additional support but this is not widespread in the HE sector.
3. It is unusual for detailed salary information to be given to the governing body other than that for the Head of the institution the governing body must be given information about the committee's approach and methodology and the resulting overall increase in the wage bill. Under the HE code for Good Governance, the Remuneration Committee should identify the senior executive team and publish the salaries of this group of staff by salary band. Transparency is important and organisations should think about what information they can place in the public domain and what form is most appropriate.
4. This document sets out key questions to think about when serving on a remuneration committee :

Is there a clear policy on senior staff remuneration?

Is that policy integrated into the wider HR strategy?

Am I confident I can explain my organisation's approach to senior staff remuneration?

Am I satisfied that policies and procedures in this area are aligned to our commitment to equality and diversity?

Am I satisfied that the criteria for salary increases are clear and are based on proven individual performance, clearly demonstrable market factors and reliable benchmarks?

In addition to individual performance are there team performance measures that might have a bearing on remuneration decisions?

Is there a clear policy on VS?

Is the report which is made to the Board sufficient to assure me of the robustness of the process?

Does my institution have a publications scheme consistent to the publication of accurate and transparent information?

**(Source: Illustrative Practice Note 1 – Remuneration Committee March 2015 Committee of University Chairs.)**