

REMUNERATION

REMUNERATION COMMITTEE REPORT



Elaine Holt
Committee Chair

Role

The committee establishes a robust, transparent and formal procedure for developing policy on Executive remuneration. This includes the total reward packages for our Chief Executive, Executive Directors and Non-Executive Directors, subject to the approval of our Shareholder.

The committee is also responsible for keeping the *Remuneration framework*, required under the *Framework document*, under review. Any amendments must be agreed with our Shareholder, including recommending performance targets.

The committee is responsible for deciding or recommending proposals for approval by the Board and providing guidance to the Executive on company-wide reward and incentive plans and the structure of remuneration packages for senior management.

Composition

Member	Meetings attended
Elaine Holt (Chair)	8/8
Colin Matthews	8/8
Roger Lowe	7/8
Carolyn Battersby	8/8
Kathryn Cearns	2/2 ¹

The committee is chaired by Elaine Holt. Members include four other Non-Executive Directors, including the Board Chairman. Our Chief Executive attends all meetings, except when his own remuneration is under review. The DfT Director General, Resources and Strategy Group attends meetings as an observer on behalf of our Shareholder. The committee is advised by our Executive Director of Human Resources and Organisational Development. Our Director of Reward also attends meetings.

EY have been appointed advisers to the committee on a call-off basis. In 2019–20, EY provided advice to our Executive team and Remuneration Committee on the design of the performance-related pay scheme for the second road period.

¹ Kathryn Cearns stepped down from the Remuneration Committee in June 2019.

WORK

The committee maintains close oversight on organisational initiatives relating to staff performance and reward.

The committee follows the requirements of the *Remuneration framework* and broad policy for the remuneration, including basic pay, performance-related pay (bonus) and pensions, of:

- our Chief Executive
- the members of our Chief Executive's team, some of whom will be Board Directors
- the senior management population, ie Director graded roles

This framework and policy takes into account DfT and HM Treasury guidance and rules on senior pay for arm's length bodies.

All Directors, including our Chief Executive, are excluded from any discussions and decisions on their own remuneration.

Our company operates within the *Remuneration framework*, as agreed with our Shareholder. The *Remuneration framework* is designed to promote the long-term success of our company and includes the criteria for performance-related pay, which is designed to be transparent, stretching and rigorous.

The committee is sensitive to the wider pay and employment conditions elsewhere in the business when determining annual salary increases for our senior leadership team. We operate a consistent approach to performance management that applies to all employees, which links to pay and performance-related pay awards. Details of our pay review percentage matrix and performance-related pay scheme rules are available to all staff, and published on our internal portal along with frequently asked questions. The committee reviews and approves senior population performance ratings and pay review proposals. The committee also reviews the performance ratings for the general staff population and the proposals for their pay review.

In 2019–20, no discretion was applied to the pay review proposals for Executive Directors. The committee applied discretion in confirming the corporate KPI performance at 80.2% to be applied to all performance-related pay scheme members for the 2018–19 financial year. This is due to the delay in the reporting of the final results for the number of people killed or seriously injured KPI to achieve payment in July 2020 for 2018–19 performance.

The rules of our company's performance-related pay scheme limit the maximum payment to 20% of base salary for our senior group. As a government-owned company, where long-term incentives such as shares or share options are not available as part of remuneration packages, performance-related pay is the sole variable remuneration element within the reward design for senior roles.

Chair's highlights

The committee reviewed the corporate KPI performance and its impact on performance-related pay for 2019–20 for all our people, including Executive Directors.

Mid-year and year-end performance ratings for Executive Directors and our senior management group were also scrutinised to ensure they were appropriate and in line with the *Remuneration framework*. The committee also reviewed the year-end performance ratings for employees other than the senior group.

The committee reviewed the following standing items at each meeting during the year:

- Use of contingent labour and consultants, including the development of plans to further reduce reliance on interim staff
- Use of specialist pay freedoms
- An assessment of all perceived senior flight risks, along with retention and resilience plans in place to manage these risks
- Activity and decisions of the Reward and Resourcing Executive Committee, which considers remuneration issues for staff below Executive level
- Membership and management of pension schemes

The committee also considered the following items:

- Guidance to the Executive on the pay review approach for employees other than the Executive and senior management group for 2019–20
- Proposed changes to the *Remuneration framework* submitted for approval by DfT
- Governance of the Highways England Pension Plan

For committee Chair Elaine's biography, go to page 129 →

Executive remuneration (audited)

	Year	Salary	Performance-related pay	Pension benefits	Taxable benefits	Total
Jim O'Sullivan	2019–20	£382,500	£75,000	£30,000	–	£487,500
	2018–19	£375,000	£51,727	£30,000	–	£456,727
Vanessa Howlison	2019–20	£201,903	£36,693	£20,190	£15,206	£273,992
	2018–19	£198,919	£26,017	£19,892	£32,367	£277,195

Notes:

- 1 Jim O'Sullivan received £30,000 in lieu of pension payments.
- 2 Vanessa Howlison is a member of Highways England Defined Contribution Group Pension Plan. Employer contributions are equal to 10% of salary.
- 3 The performance-related pay paid in 2019–20 related to performance within the financial year 2018–19 and that paid in 2018–19 related to performance in financial year 2017–18.
- 4 The 2019–20 performance process is being finalised and the value of payments have yet to be determined. Payments will be made in 2020–21.
- 5 'Other' amounts relate to travel expenses for secondary workplaces as defined by HMRC (expense grossed up by 45%).
- 6 Only those members of our Executive team who are (or were) also members of the Highways England Board have their remuneration reported.

Non-Executive remuneration (audited)

The remuneration of Non-Executive Directors for 2019–20 was as follows:

	Year	Fee	Taxable benefits	Total
Colin Matthews (Chairman)	2019–20	£130,000	–	£130,000
	2018–19	£130,000	–	£130,000
Elaine Holt	2019–20	£28,000	–	£28,000
	2018–19	£28,000	–	£28,000
Roger Lowe	2019–20	£25,000	–	£25,000
	2018–19	£3,423	–	£3,423
Kathryn Cearnis	2019–20	£28,000	–	£28,000
	2018–19	£25,639	–	£25,639
Janette Beinart	2019–20	£28,000	–	£28,000
	2018–19	£4,906	–	£4,906
Alan Cumming	2019–20	–	–	–
	2018–19	£233	–	£233
Carolyn Battersby	2019–20	–	–	–
	2018–19	–	–	–

Notes:

- 1 Service details for Directors are shown on page 128.
- 2 From 1 April 2017, the fees were updated to £25,000 plus an additional £3,000 for chairing a committee. These fees remain unchanged for 2019–20.
- 3 Elaine Holt is the serving Chair on our Remuneration Committee, a position she has held from February 2018.
- 4 Janette Beinart is the serving Chair on our Investment Committee, a position she has held from March 2019.
- 5 Alan Cummings is the serving Chair on our Safety Committee, a position he has held from January 2018. He ceased being paid by Highways England on 3 April 2018 when he became an Executive Director at the Nuclear Decommissioning Authority.
- 6 Kathryn Cearnis is the serving Chair on our Audit and Risk Committee, a position she has held from September 2018. At the same time she has served as a member of DfT's Group Audit and Assurance Committee. She was paid a fee of £5,000 for her DfT services.
- 7 Carolyn Battersby became the Shareholder-appointed Non-Executive Director representative from 11 September 2019. She is not paid for serving as Shareholder-appointed Non-Executive Director and did not receive any fees in the 2018–19 or 2019–20 financial year.

Pay multiples (audited)

	2019–20	2018–19
Chief Executive	£457,500	£426,727
Number of staff	5,866	5,644
Lower quartile point ⁵	1,466	–
Lower quartile remuneration ⁵	£28,896	–
Chief Executive ratio ⁵	15.83	–
Median point	2,934	2,823
Median remuneration	£34,934	£31,214
Chief Executive ratio	13.10	13.67
Upper quartile point ⁵	4,399	–
Upper quartile remuneration ⁵	£45,013	–
Chief Executive ratio ⁵	10.16	–

Notes:

- 1 The median remuneration of our company's staff in 2019–20, as shown in the table above and based on annualised full-time equivalents, is £34,934.
- 2 The ratio between the median remuneration and the remuneration of the highest paid Director is 13.10. This has decreased from 2018–19 figure of 13.67.
- 3 In 2019–20, no employee received remuneration in excess of the highest paid Director (2018–19 nil). Full-time equivalent remuneration ranged from £14,089 to £278,029 (2018–19 £14,089 to £270,821).
- 4 Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.
- 5 A change in the legislation required the reporting of lower and upper quartile figures from this reporting year – this change was not retrospective.