

# Agenda

**Meeting: Remuneration Committee**

**Date: Wednesday 23 January 2019**

**Time: 10.00am**

**Place: Conference Rooms 1 and 2,  
Ground Floor, Palestra, 197  
Blackfriars Road, London, SE1  
8NJ**

## Members

Ben Story (Chair)

Kay Carberry CBE (Vice-Chair)

Heidi Alexander

Ron Kalifa OBE

Copies of the papers and any attachments are available on [tfl.gov.uk](http://tfl.gov.uk) [How We Are Governed](#).

This meeting will be open to the public, except for where exempt information is being discussed as noted on the agenda. There is access for disabled people and induction loops are available. A guide for the press and public on attending and reporting meetings of local government bodies, including the use of film, photography, social media and other means is available on [www.london.gov.uk/sites/default/files/Openness-in-Meetings.pdf](http://www.london.gov.uk/sites/default/files/Openness-in-Meetings.pdf).

## Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Shamus Kenny, Head of Secretariat; telephone: 020 7983 4913 email: [ShamusKenny@tfl.gov.uk](mailto:ShamusKenny@tfl.gov.uk).

For media enquiries please contact the TfL Press Office; telephone: 0845 604 4141; email: [PressOffice@tfl.gov.uk](mailto:PressOffice@tfl.gov.uk)

Howard Carter, General Counsel  
Tuesday 15 January 2019

**Agenda  
Remuneration Committee  
Wednesday 23 January 2019**

**1 Apologies for Absence and Chair's Announcements**

**2 Declarations of Interests**

General Counsel

**Members are reminded that any interests in a matter under discussion must be declared at the start of the meeting, or at the commencement of the item of business.**

**Members must not take part in any discussion or decision on such a matter and, depending on the nature of the interest, may be asked to leave the room during the discussion.**

**3 Minutes of the Meeting of the Committee held on 7 November 2018  
(Pages 1 - 6)**

General Counsel

**The Committee is asked to approve the minutes of the meeting of the Committee held on 7 November 2018 and authorise the Chair to sign them.**

**4 Matters Arising, Actions List and Use of Delegated Authority  
(Pages 7 - 10)**

General Counsel

**The Committee is asked to note the updated actions list and the use of Chair's Action.**

**5 Pay Gap Analysis (Pages 11 - 46)**

Chief People Officer

**The Committee is asked to note the paper.**

**6 Remuneration Benchmarking (Pages 47 - 90)**

Chief People Officer

**The Committee is asked to note the paper and, in relation to the 2019 report, to confirm: the roles to be surveyed; agree a 'peer group' of organisations to draw benchmark data from; agree the method to be used for generating comparable remuneration data; and confirm the preferred format for the 2019 report.**

**7 Any Other Business the Chair Considers Urgent**

The Chair will state the reason for urgency of any item taken.

**8 Member suggestions for future agenda discussions (Pages 91 - 94)**

**The Committee is asked to note the forward programme and is invited to raise any suggestions for future discussion items for the forward programme and for informal briefings.**

**9 Date of Next Meeting**

Tuesday 18 June 2019

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## Transport for London

### Minutes of the Remuneration Committee

**Conference Room 1, Palestra, 197 Blackfriars Road. London SE1 8NJ  
10.00am, Wednesday 7 November 2018**

#### **Members**

Ben Story (Chair) - by phone  
Kay Carberry CBE (Vice-Chair) in the Chair  
Heidi Alexander  
Ron Kalifa OBE

#### **Executive Committee**

Mike Brown MVO	Commissioner
Staynton Brown	Director of Diversity and Inclusion
Howard Carter	General Counsel
Tricia Wright	Chief People Officer

#### **Staff**

Stephen Field	Director of Compensation and Benefits
Shamus Kenny	Head of Secretariat

#### **13/11/18 Apologies for Absence and Chair's Announcements**

As the Chair of the Committee was abroad and dialling into the meeting, the Vice-Chair, Kay Carberry, chaired the meeting. Kay Carberry welcomed Heidi Alexander to her first meeting as a member of the Committee.

As all Members were present, there were no apologies for absence.

#### **14/11/18 Declarations of Interests**

Members confirmed that their declarations of interests, as published on [tfl.gov.uk](http://tfl.gov.uk), were up to date and there were no interests that related specifically to items on the agenda.

#### **15/11/18 Minutes of the Meeting of the Remuneration Committee held on 13 June 2018**

The minutes of the meeting held on 13 June 2018 were approved as a correct record and signed by the Chair.

#### **16/11/18 Matters Arising, Actions List and Use of Delegated Authority**

Chair's Action had been used on 12 July, 15 August, 17 October and 26 October 2018, to approve salaries of £100,000 or more. The October 2018 approvals related to the appointment of an interim Managing Director, London Underground, to enable Mark Wild

to become the Chief Executive of Crossrail and a Finance Director to be seconded to Crossrail Limited; both appointments were for six months or longer by agreement; this detail was not included in the paper as the announcements on the changes to the leadership team in Crossrail Limited had not been made when the papers for this meeting were published.

The Committee noted that the outcome of the Dawn Jarvis review, commissioned by the Mayor, into notice periods and severance arrangements for senior staff across the GLA Group was due to be considered by the Mayor shortly. Members asked that the process for reviewing proposals for salaries over £100,000 also be discussed to ensure that it was not causing undue delay that risked securing the preferred candidate for key roles. Members recognised the need for pay restraint and had agreed tight criteria for the approval of such salaries and TfL's Transformation had changed TfL's structure, which reduced the number of management layers.

As part of a discussion on leadership development proposals, Tricia Wright and Staynton Brown would discuss with the Chair the desirability and viability of some form of Alumni for TfL to keep in touch with its former employees (06/06/18 (iii)).

**The Committee noted the Actions List and use of delegated authority.**

## **17/11/18 Pay Gap Analysis**

Tricia Wright introduced the paper, which provided an update on TfL's pay gap analysis, with a particular focus on gender and ethnicity, based on data from the 12 month period 1 April 2016 to 31 March 2017. Kay Carberry welcomed the paper as the issue had been raised previously by the Board and the Safety, Sustainability and Human Resources Panel.

In relation to the pay gaps, Members noted:

- (a) the differences at Payband 2 on hourly rates was largely due to shift allowances being consolidated into base pay for a particular group of employees that was more heavily populated by males;
- (b) the gap on the consolidated TfL proportion of employees receiving awards was largely attributed to the number of men in the organisation receiving long service awards;
- (c) the pay gap within the four-year graduate scheme was expected to reduce over the next two years as the efforts to improve diversity fed through. The intake over the last two years, while smaller, was far more diverse and that was expected to continue.

TfL's staff survey, Viewpoint, had just closed with its highest response rate to date, at 66 per cent.

Members noted the work undertaken and planned to close the pay gaps and that this was supported by a measure on the TfL Scorecard. Good progress was being made in creating a more diverse organisation; during the last 12 months, over 50 per cent of senior appointments were women and there had also been an increase in BAME appointments.

TfL had introduced Diversity and Inclusion dashboards for protected characteristics across the business. To encourage local accountability and leadership, these were updated quarterly with each business area responsible for developing and implementing action plans to address issues particular to their area. The dashboards and local plans were reviewed by the relevant business area leadership team and by the Executive Committee. Kay Carberry and other Members had received a detailed briefing on the dashboards from Staynton Brown. She commended the dashboard approach as dynamic and participative as there was a real onus on teams to engage with HR to address the issues. A summary of the actions across TfL would be provided to Members.

**[Action: Staynton Brown]**

TfL had engaged a behavioural science specialist to help identify ways in which TfL's messaging to staff could improve the declaration rates, particularly around LGBT and disability, to improve the reliability of the data it used. This would be used to develop a campaign to encourage staff to declare protected characteristics and to promote the value and benefits of having a more diverse workforce. The benefits would be articulated both through robust data and personal stories that showed more diverse teams were safer and more innovative.

TfL had a number of active Staff Network Groups that covered Women, BAME, LGBT, Disability, Faith and Carers, which engaged in initiatives across TfL. Each group elected its own Chair, Vice Chair and a Communications person and had an Executive Committee sponsor and mentor. Mark Wild and Gareth Powell were working with the groups to improve the engagement with staff on shift work or not based in main office hubs; the use of social media like Yammer was helping in this.

The data for the pay gap analysis reports covering 2017/18 was being processed with results due in December 2018. Members noted that while the interventions to make TfL more representative of the London population were working, they may initially widen the pay gap as external recruitment slowed down, new appointments generally started at the bottom of the pay scale and internal appointments were from a less diverse pool. Pay differences between London Underground and TfL staff also had an impact. Work would be undertaken to look at the pay gap trajectory to indicate when the gaps would narrow and close. The draft messaging around the pay gap data would be shared with Members ahead of the publication of the reports and an update on 2017/18 pay gap analysis would be provided to the next meeting, in January 2019.

**[Action: Tricia Wright]**

**The Committee noted the paper.**

## **18/11/18 Talent and Succession Planning**

Tricia Wright introduced the paper, which provided a summary of TfL's approach to talent through Succession Planning, Workforce Planning and Senior Appointments. The paper also provided a review on the Diversity and Inclusion of senior talent and how TfL proposed to improve this, using practical measures with tangible outputs

TfL was committed to deploying the best resources and talent to key business priorities. It had used its Maximising Potential initiative to nurture talent identified at middle management level and planned to cascade this further down the organisation.

Members commented on the importance of distinguishing between leaders and subject matter specialists, which were both essential for an effective organisation but had different development needs. The experience of Members and TfL was that staff with high potential benefitted from being moved around an organisation. Members suggested that HR or the Commissioner's office should be responsible for monitoring their development and that their progress be tracked so that people moved from high potential to high achievers, or the reasons for staff identified as high potential who then didn't progress as expected were fully understood.

Work was underway on workforce planning to identify the talent and skills that TfL required now and for the future and more information would be provided to Members.

Members supported the use of encouraging staff to undertake online training, which should be widely available with different entry points and greater use of the supply chain and strategic partners.

Ron Kalifa OBE discussed his recent involvement in an initiative to encourage companies to employ staff with neuro-diversity. TfL's Steps Into Work programme was addressing this need and greatly increased the employment prospects of those who were involved as well as being a real benefit to the staff that became mentors and coaches. Two cohorts started in January 2018 with 24 young people and would be attending a graduation ceremony in December 2018. Members would be invited to attend.

**[Action: Secretariat]**

**The Committee noted the paper.**

## **19/11/18 Members' Suggestions for Future Discussion Items**

Members discussed the forward plan and requested further information on:

- (a) TfL Contractors: information would be provided on the number of contractors employed by TfL;
- (b) Workforce Planning: The Committee would receive a report mapping out the staff talent and specialisms that TfL needed now and in the future to meet its delivery needs;
- (c) Compliance Training: Members requested a paper providing benchmarking data on the mandatory training on compliance issues across TfL (e.g. Health and Safety, Diversity and Inclusion, Fraud Awareness) listing the training and the compliance rate; and
- (d) Succession Plans for Executive Committee: The Committee would be provided with details of the succession planning for key Executive Committee roles and where internal people had been identified, what was being done to help prepare them and how to increase their exposure to the Board.

## **20/11/18 Any Other Business the Chair Considers Urgent**

There was no urgent business to discuss.



**21/11/18 Date of Next Meeting**

The next scheduled meeting of the Committee was 23 January 2019 at 10.00am.

The meeting closed at 11.20am

Chair: \_\_\_\_\_

Date: \_\_\_\_\_

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## Remuneration Committee



**Date:** 23 January 2019

**Item:** **Matters Arising, Actions List and Use of Delegated Authority**

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

#### **1 Summary**

1.1 This paper informs the Committee of progress against actions agreed at previous meetings (Appendix 1) and two uses of Chair's Action to approve salaries of £100,000 or more for 14 individuals.

#### **2 Recommendation**

2.1 **The Committee is asked to note the Actions List and the use of Chair's Action.**

#### **3 Use of Delegated Authority**

##### **Salaries over £100k or more**

3.1 The revised Terms of Reference for the Committee required it to approve salaries of £100,000 or more. The Committee had informally discussed the process for such awards and agreed that a business case would be provided for each proposed award and that decisions would be taken by Chair's Action, in consultation with the members of the Committee, to avoid undue delay in filling roles.

3.2 On 16 November 2018, following consultation with members of the Committee, the Chair approved salaries of £100,000 or more for 11 individuals in the following roles:

- (a) Director of Diversity, Inclusion & Talent (new role with broader scope than original role, with salary aligned to peer group);
- (b) Head of Finance – Major Projects Directorate (existing role, with broader responsibilities);
- (c) eight non-permanent labour roles in Technology and Data (Transformation Programme roles for a specific project, covering x1 Product Owner, x1 Technical Delivery Manager, x1 Development Stream Lead, x2 Senior Developers, x1 Senior Visualisation Developer, x1 Senior Tester, x1 Lead Business Intelligence Architect); and

(d) one non-permanent labour role in Technology and Data (Transformation Programme role for nine months, Cloud Network Architect with Azure/AWS specialization).

3.3 On 11 January 2019, following consultation with members of the Committee, the Chair approved salaries of £100,000 or more for three individuals in the following roles:

(a) Project Director, Major Projects (existing role, with broader responsibilities);  
and

(b) Two non-permanent labour roles in Technology and Data (existing roles – additional headcount).

**List of appendices to this report:**

Appendix 1: Actions List

**List of Background Papers:**

Minutes of previous meetings of the Committee  
Chair's Action paper 12 November 2018

Contact Officer: Howard Carter, General Counsel  
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Email: [HowardCarter@tfl.gov.uk](mailto:HowardCarter@tfl.gov.uk)

## Remuneration Committee Actions List (reported to the meeting on 23 January 2019)

## Actions arising from the meeting held on 7 November 2018.

Minute No.	Description	Action By	Target Date	Status note
17/11/18 (i)	<b>Pay Gap Analysis – Diversity and Inclusion Dashboard actions</b> A summary of the actions across TfL would be provided to Members.	Staynton Brown	May 2019	Agreed
17/11/18 (ii)	<b>Pay Gap Analysis – 2017/18 messaging</b> The draft messaging around the pay gap data would be shared with Members ahead of the publication of the reports and an update on 2017/18 pay gap analysis would be provided to the next meeting, in January 2019.	Staynton Brown	January 2019	Completed. Sent to the Board on 2 January, published 3 January 2019.
18/11/18	<b>Talent and Succession Planning – Steps into Work Graduation Event</b> Two cohorts started in January 2018 with 24 young people and would be attending a graduation ceremony in December 2018. Members would be invited to attend.	Secretariat	Dec 2018	Completed. Invitation sent to all Members of the Board.

## Actions from previous meetings

Minute No.	Description	Action By	Target Date	Status note
06/06/18 (ii)	<b>2017-18 Scorecards – Future outturn review process</b> It was agreed that following the consideration of the 2018/19 Scorecard Outturn review by the Audit and Assurance Committee, the Chair of that Committee would meet with the Chair of the Remuneration Committee before this Committee considered the Scorecard Outturn report and Performance Awards.	Secretariat	May 2019	Agreed

<b>06/06/18 (iii)</b>	<b>2017-18 Scorecards – TfL Alumni proposal</b> The Chair of the Committee would discuss with the Chief People Officer the desirability and viability of some form of Alumni for TfL to keep in touch with its former employees.	Chair / Tricia Wright	Feb 2019	A discussion would be held with the Chair.
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## Remuneration Committee

Date: 23 January 2019



Item: Pay Gap Analysis

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### This paper will be considered in public

#### 1 Purpose

- 1.1 This paper seeks to update the Committee on TfL's annual pay gap analysis following publication of the gender and ethnicity pay gaps. The pay gap reports are attached as appendices.

#### 2 Recommendation

- 2.1 **The Committee is asked to note the paper.**

#### 3 Background

- 3.1 The Mayor's manifesto contained a commitment to publish a gender pay audit for the Greater London Authority (GLA) and its functional bodies including TfL, with a requirement that work should be undertaken to eliminate gaps identified.
- 3.2 In addition, our pay gap report for gender complies with the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 and the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 and our ethnicity pay gap report meets with the additional reporting requested by the Mayor and is set out in the same format as for gender.
- 3.3 The information extracts in this paper are based on 27,399 TfL employees as at the 31 March 2018 snapshot date for hourly rate pay and the 12 month period 1 April 2017 to 31 March 2018 for bonus payments. They show the median pay gap as opposed to the mean (which can be skewed by outlier information). The full published reports include both median and mean pay gap measures.
- 3.4 Our full reports for gender and ethnicity pay gap reporting are published on the TfL website: <https://tfl.gov.uk/corporate/publications-and-reports/equality-and-inclusion-publications>.

#### 4 Gender Pay Gap

- 4.1 The gender pay gap is an equality measure that shows the difference in average earnings across all jobs between women and men employed by the same employer. The gender pay gap does not show difference in pay for comparable jobs as in 'equal pay'.
- 4.2 The overall gender split is 76.5 per cent men and 23.5 per cent women.

## Hourly Rate Base Pay Comparison

- 4.3 The tables below show the overall median comparison between the hourly rates of pay for full-pay relevant men and women.

**Table 1 – Consolidated TfL median gender pay gap hourly rates of pay**

	Men	Women	% pay gap
Median	£28.14	£22.08	21.5%

- 4.4 Our pay bands and associated pay ranges are typically broad and accommodate a wide distribution of job size across a varied range of roles, occupations and different market rates.
- 4.5 At Payband 2 there is a group of employees (more heavily populated by males) that has a shift allowance consolidated into base pay therefore meaning that the pay comparison basis for this group is skewed by the incorporation of this additional pay element.
- 4.6 Within operational grades there is typically a higher proportion of men in the higher paying spot rate roles, for example, Train Operator, and a greater proportion of women in the lower paid spot rate roles e.g. Customer Service Assistant.

## Main Findings

- 4.7 Proportionately fewer women in higher paid senior roles.
- 4.8 Proportionately more men in operational roles that are far more highly paid than other roles at a similar level because of shift and unsocial working allowance that are combined into the salary.
- 4.9 A gender imbalance and lower numbers of senior women in the smaller employing entities.
- 4.10 Fewer women in the transport and engineering sector as a whole with research showing that only nine per cent of all engineers are female.

## 5 Ethnicity Pay Gap

- 5.1 The ethnicity pay gap is an equality measure that shows the difference in average earnings across all jobs between white and BAME staff employed by the same employer. The ethnicity pay gap does not show difference in pay for comparable jobs as in 'equal pay'.
- 5.2 The overall ethnicity split in TfL is 49.8 per cent White, 26.4 per cent BAME and 23.8 per cent Prefer Not to Say/Unknown.
- 5.3 Forty per cent of Londoners are BAME and 36 per cent of economically active Londoners are from BAME communities whereas 26.4 per cent of our workforce is currently BAME. However, this is not reflected in senior roles, where BAME employees are under represented.



**Table 2 – Consolidated TfL median ethnicity pay gap hourly rates of pay**

	White	BAME	% pay gap
<b>Median</b>	£28.71	£25.82	<b>10.1%</b>

## **Main Findings**

- 5.4 Our workforce does not fully reflect the diversity of the economically active population in across the workforce, particularly in more senior roles.
- 5.5 The under-representation of BAME employees in senior levels, therefore in higher paid roles, along with the larger proportion of BAME employees in operational areas impacts greatly on the overall average earnings figures shown in the report.

## **6 Closing the pay gap**

- 6.1 We are working hard to reduce our pay gap, and become an organisation more fully reflective of London, and have taken a number of steps.

### **What has been done?**

- 6.2 Appointed a Diversity, Inclusion and Talent Director. Directly accountable to the Commissioner, he is responsible for leading a focused strategy.
- 6.3 Added an ‘inclusion index’ to the TfL Scorecard, alongside the senior manager representativeness and overall representativeness targets, making everyone accountable for diversity and inclusion.
- 6.4 Ensured mentoring and internal work experience programmes support women and BAME colleagues in middle manager roles in London Underground Operations, where we have less representation.
- 6.5 Created the London Underground diversity and inclusion culture team who lead on a programme of work to realise talent and unlock potential in an operational environment.
- 6.6 Diverse interview panels now in our interview guidance for senior roles.
- 6.7 Supporting the GLA’s Our Time project aimed at sponsoring talented women to get into more senior roles. Launched a cross-mentoring partnership with Fujitsu aimed at high potential BAME staff from each organisation.
- 6.8 Unconscious bias training for all senior managers.
- 6.9 Introduced a Diversity and Inclusion dashboard for each business area, which includes a focus on the experiences of under-represented groups of employees in our workplace and have clear targets to increase the number of people in under-represented groups performing some roles. We’ll use it to measure progress and ensure action is taken to improve the experience of these groups at each stage of the employee lifecycle. The pay gap is one of the indicators on the high level business area dashboard.

- 6.10 Over the last 12 months 50 per cent of senior appointments have been women, and there has also been an increase in BAME appointments.
- 6.11 Analysis has been carried out to determine the impact of proposed base pay decisions, for all future senior manager appointments, on the gender and ethnicity pay gaps.
- 6.12 Developed a new model to improve the diversity of our graduates and apprenticeships, ensuring cohorts are more reflective of London.

**What is currently being worked on?**

- 6.13 The creation of an integrated approach to talent, by combining leadership development, organisational development, strategic workforce planning, Schemes, executive recruitment and diversity and inclusion.
- 6.14 Automated anonymous job applications (blind CVs) rolled out for all recruitment.
- 6.15 Mandating diverse and independent panels for interviews to ensure greater fairness and consistency in decision making.
- 6.16 Ensuring greater access to mentors and coaches for all our staff, but in particular for women and BAME staff who are underrepresented in more senior roles.

**What is planned?**

- 6.17 Ensuring that in the development of a new approach to leadership development, we place inclusive leadership at its core.
- 6.18 Improving the mobility of internal talent through developing talent boards across the organisation.
- 6.19 Further elimination of bias in our approach to recruitment, performance and development.
- 6.20 Continue to attract, develop, promote and retain the best talent. Our recruitment figures over the past 12 months have seen a significantly more representative pool of candidates interviewed and hired across the business. Our approach to talent management and succession planning through Maximising Potential, has also helped improve the diversity of more senior appointments.
- 6.21 Continue to identify the next generation of leaders, and include a development programme targeted at groups that are currently underrepresented in senior roles.
- 6.22 Reviewing the pipeline of diverse talent amongst middle managers, and ensuring there is robust succession planning across the organisation through the talent boards.

**List of appendices to this report:**

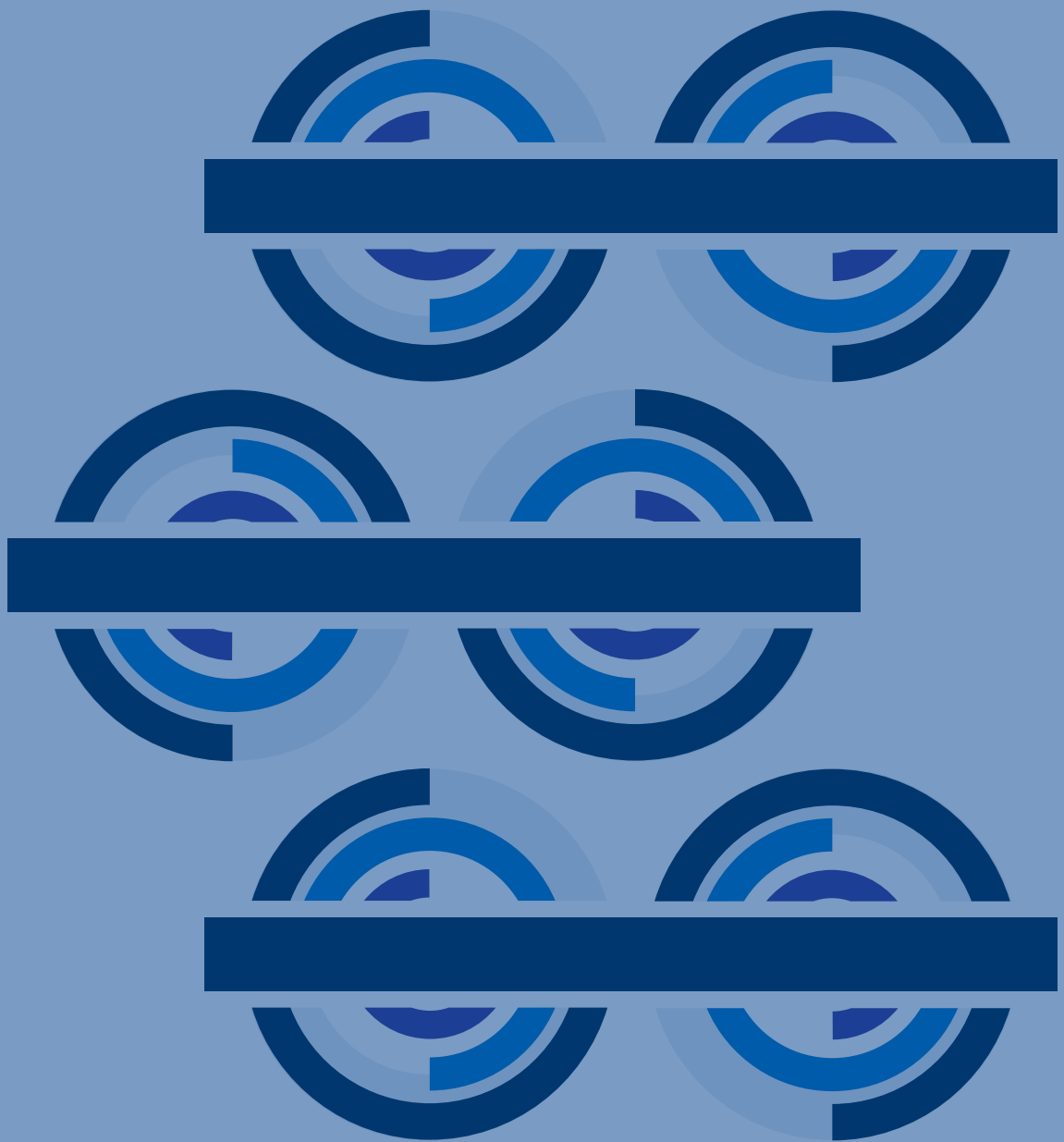
Gender pay gap report 2018  
 Ethnicity pay gap report 2018

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Contact Officer Staynton Brown, Director Diversity, Inclusion and Talent  
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# TfL gender pay gap report 2018



## About Transport for London (TfL)

Part of the Greater London Authority family led by Mayor of London Sadiq Khan, we are the integrated transport authority responsible for delivering the Mayor's aims for transport.

We have a key role in shaping what life is like in London, helping to realise the Mayor's vision for a 'City for All Londoners'. We are committed to creating a fairer, greener, healthier and more prosperous city. The Mayor's Transport Strategy sets a target for 80 per cent of all journeys to be made on foot, by cycle or using public transport by 2041. To make this a reality, we prioritise health and the quality of people's experience in everything we do.

We manage the city's red route strategic roads and, through collaboration with the London boroughs, can help shape the character of all London's streets. These are the places where Londoners travel, work, shop and socialise. Making them places for people to walk, cycle and spend time will reduce car dependency and improve air quality, revitalise town centres, boost businesses and connect communities.

We run most of London's public transport services, including the London Underground, London Buses, the Docklands Light Railway, London Overground, TfL Rail, London Trams, London River Services, London Dial-a-Ride, Victoria Coach Station, Santander Cycles and the Emirates Air Line. The quality and accessibility of these services is fundamental to Londoners' quality of life. By improving and expanding public transport, we can make people's lives easier and increase the appeal of sustainable travel over private car use.

We are moving ahead with many of London's most significant infrastructure projects, using transport to unlock growth. We are working with partners on major projects like Crossrail 2 and the Bakerloo Line Extension that will deliver the new homes and jobs London and the UK need. We are in the final phases of completing the Elizabeth line which, when it opens, will add 10 per cent to central London's rail capacity.

Supporting the delivery of high-density, mixed-use developments that are planned around active and sustainable travel will ensure that London's growth is good growth. We also use our own land to provide thousands of new affordable homes and our own supply chain creates tens of thousands of jobs and apprenticeships across the country.

We are committed to being an employer that is fully representative of the community we serve, where everyone can realise their potential. Our aim is to be a fully inclusive employer, valuing and celebrating the diversity of our workforce to improve services for all Londoners.

We are constantly working to improve the city for everyone. This means freezing fares so everyone can afford to use public transport, using data and technology to make services intuitive and easy to use, and doing all we can to make streets and transport services accessible to all. We reinvest every penny of our income to continually improve transport networks for the people who use them every day.

None of this would be possible without the support of boroughs, communities and other partners who we work with to improve our services. We all need to pull together to deliver the Mayor's Transport Strategy; by doing so we can create a better city as London grows.

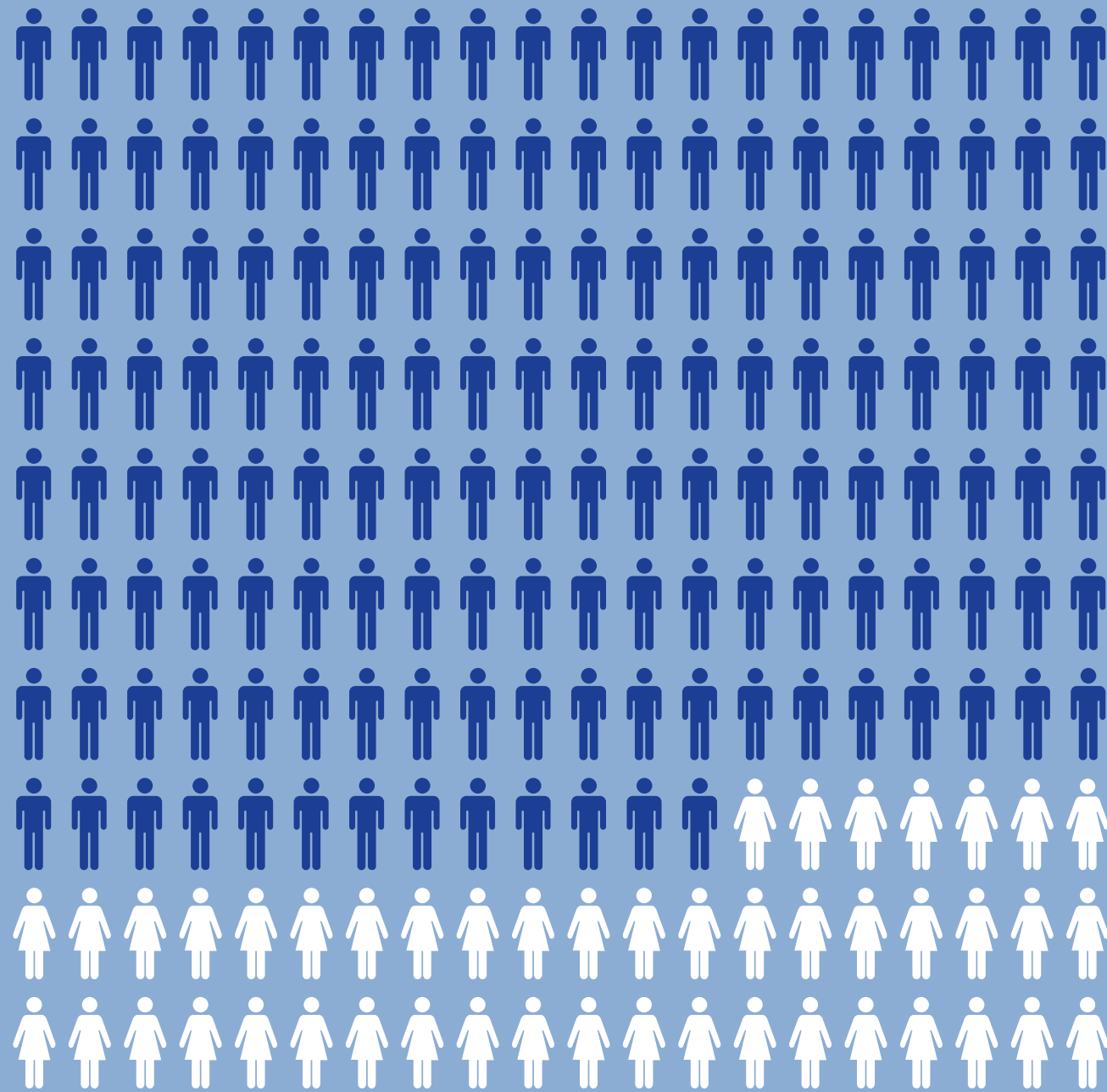
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Under a quarter of our people are women



**27,399**  
employees

**76.5%**  
men

**23.5%**  
women

Figures at 31 March 2018

# Foreword

London is one of the most diverse cities in the world. To ensure that we are able to support its continued success, we need a deep understanding of what matters to the people that live and work here. One of the best ways to achieve this is through a talented and diverse workforce that is truly representative.

Embracing diversity is not just the right thing to do, it makes business sense and leads to consistently higher performance and delivery. More diverse organisations have a deeper understanding of their customers and serve them better, they attract and retain the best staff, and they make better decisions, solve problems faster and innovate more readily.

Our efforts to ensure we are an organisation where women want to work and can pursue a successful, rewarding career are having positive impacts. Over the last 12 months more women have joined us, and we have improved the proportion of women in senior roles by 11.5 per cent. However, we recognise that our gender pay gap is heavily influenced by the fact that women tend to hold roles in the lower pay grades and there are simply not enough women in senior positions.

To tackle the imbalance, we are focusing on long-term change and creating an environment where everyone can succeed. We are maximising opportunities for the talented women who already work here by widening participation in mentoring programmes and revisiting secondments and work placements. We are continuing to



eliminate unconscious bias in recruitment and encouraging more applications from under-represented groups.

There is no one-size-fits-all solution but we are continuing to challenge the status quo, both within our organisation and in the wider transport industry. Together, we will ensure that all colleagues are equally supported to develop in their careers and are always able to deliver their best for London.

A handwritten signature in black ink, appearing to read 'Mike Brown'.

**Mike Brown MVO**  
Commissioner  
Transport for London



# What is the gender pay gap?

It is the overall difference in the average pay of men and women.

Government regulations mean we have to calculate it in two ways to give the clearest possible picture:

1. The mean shows the difference in average hourly pay between men and women.
2. The median shows the difference between the middle paid woman and the middle paid man at TfL.

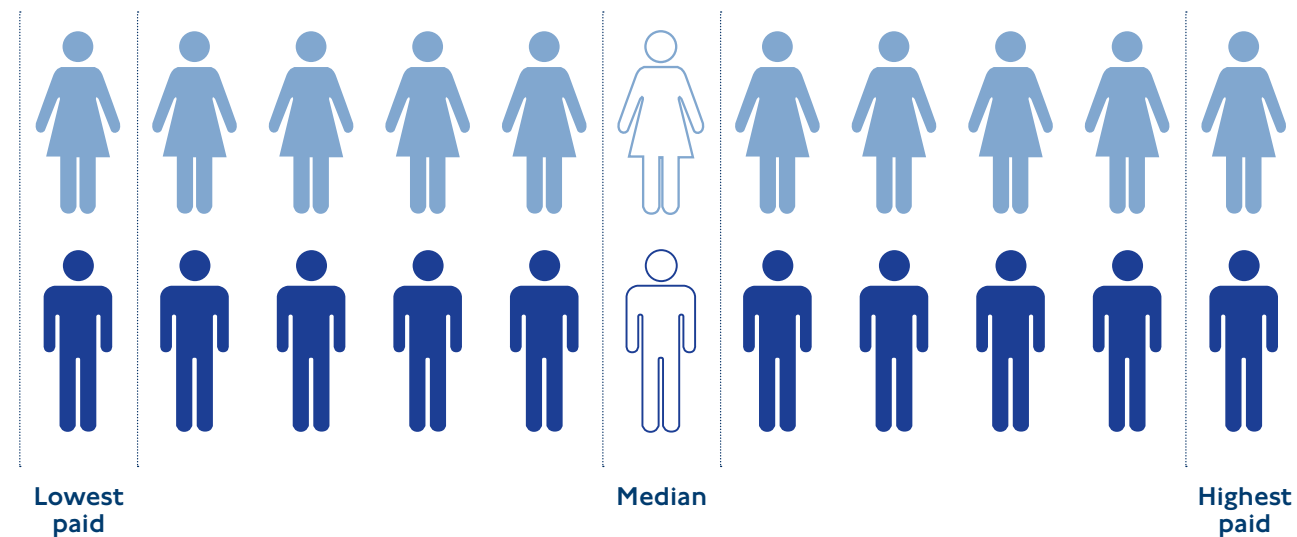
The mean pay gap summarises the overall pay of men and women, but it can be skewed by a small number of high or low earners in the group. The median gives a good idea of how much a typical man and woman at TfL is paid.

## How is 'equal pay' different?

Equal pay is the right for everyone to be paid the same for doing identical or directly comparable work.

We complete detailed equal pay audits to understand any gaps in line with parameters set by the Equality and Human Rights Commission. Where we do identify gaps we address these as part of our audits.

## Median gender pay gap

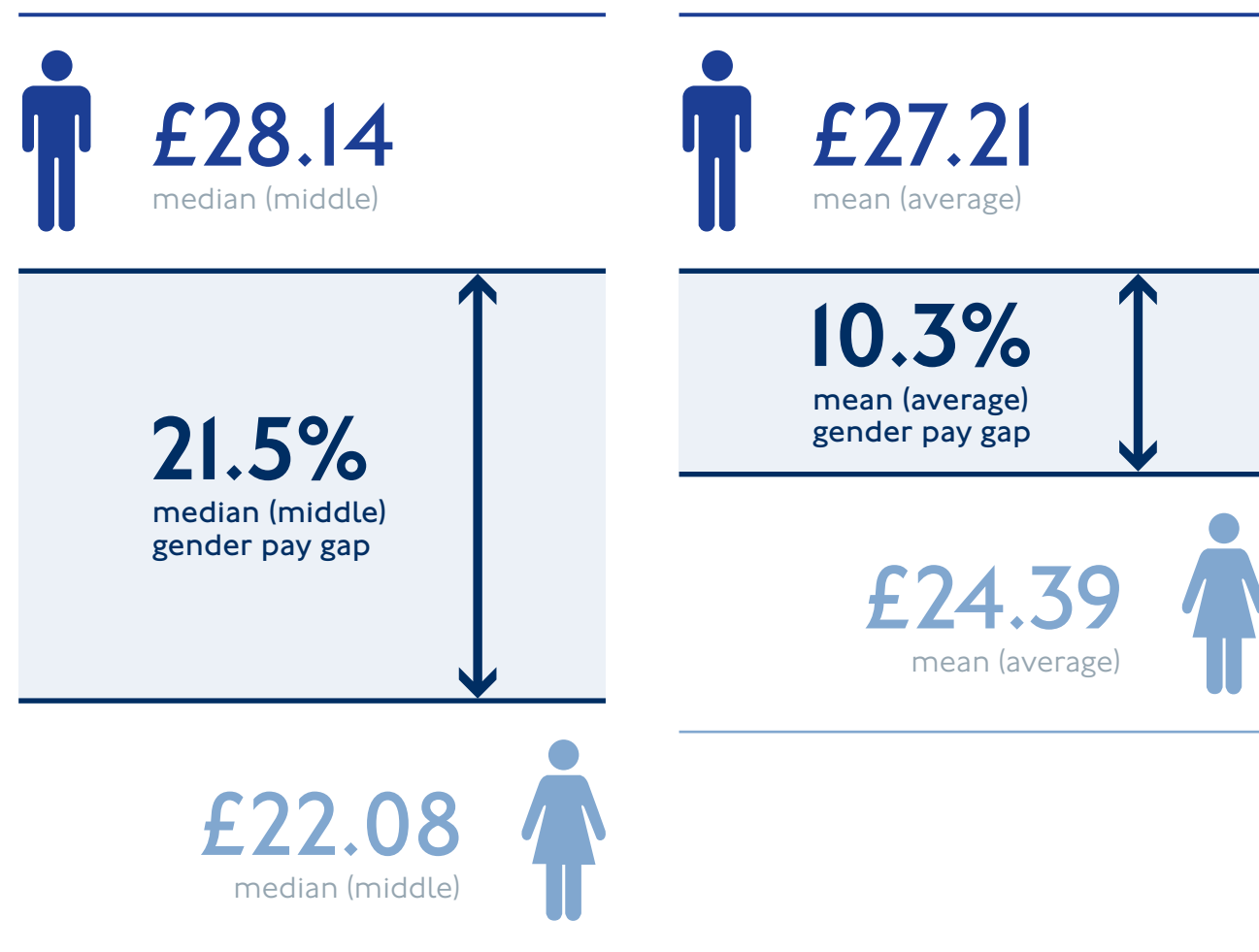




# Our results across TfL

(including all operational and non-operational roles)

**Pay\***  
Our overall hourly pay rates



The mean pay gap is less than the median because, while a greater proportion of women fall into the lower paid roles, the higher earnings of those in leadership roles bring the average up.

\* The figures in this section show the consolidated TfL median and mean gender pay and bonus gap figures based on hourly rates of pay at 31 March 2018.

**Pay quartiles**  
Median gender pay gap by quartile

Quartile	Men		Women		Pay gap
	Median hourly pay	Proportion of employees	Median hourly pay	Proportion of employees	
Upper	£35.20	84.4%	£35.28	15.6%	-0.2%
Upper middle	£29.01	84.1%	£29.01	15.9%	0.0%
Lower middle	£23.43	74.4%	£22.83	25.6%	2.6%
Lower	£17.68	65.4%	£17.68	34.6%	0.0%

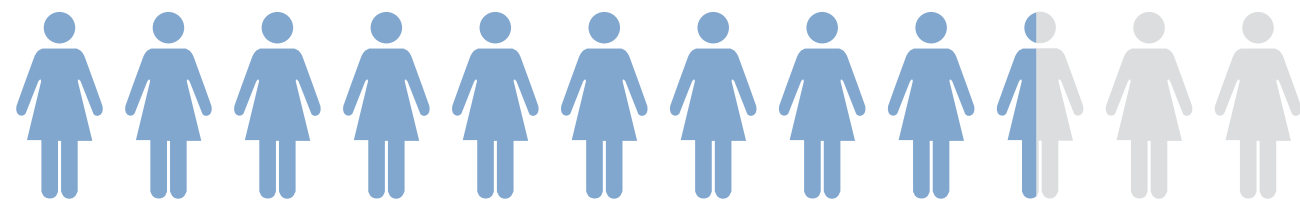
Mean gender pay gap by quartile

Quartile	Men		Women		Pay gap
	Mean hourly pay	Proportion of employees	Mean hourly pay	Proportion of employees	
Upper	£37.01	84.4%	£38.73	15.6%	-4.7%
Upper middle	£28.78	84.1%	£28.61	15.9%	0.6%
Lower middle	£23.53	74.4%	£23.13	25.6%	1.7%
Lower	£16.72	65.4%	£16.92	34.6%	-1.1%

The quartiles rank pay from lowest to highest and divide our employees into four evenly sized groups. Our under-representation of women in the higher paid roles is evident in the lower proportion of women in the upper and upper middle quartiles.

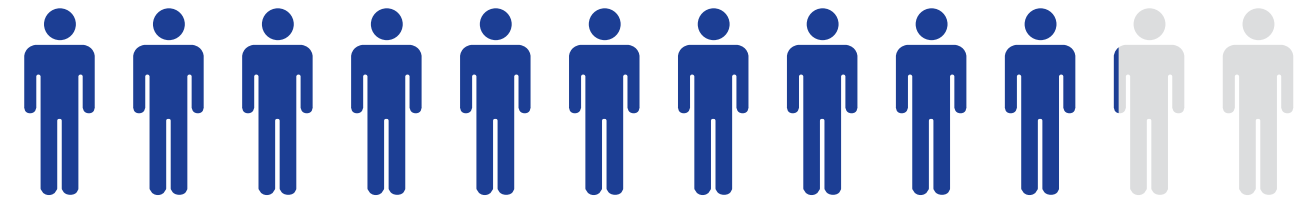
### Bonuses\*

Proportion of employees who received a bonus



# 79.4%

women



# 85.8%

men

■ Received a bonus

■ Did not receive a bonus

### Bonus gap

# -4.6%

median (middle)

# -23.7%

mean (average)

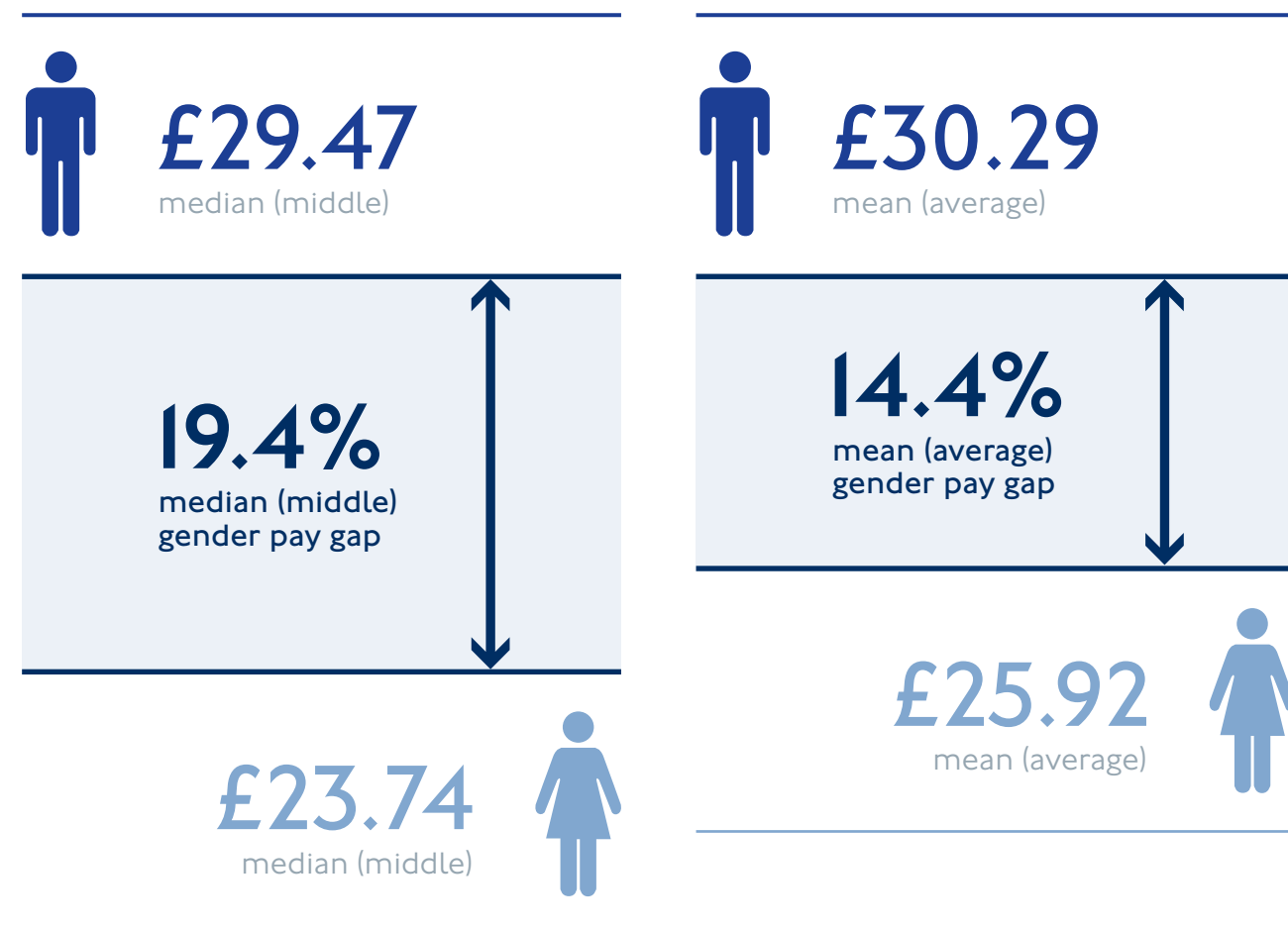
Bonus includes individual performance-related payments (performance awards), London Underground's performance bonus scheme (LCH bonus), Make a Difference recognition scheme vouchers, long-service awards and other one-off bonus payments that employees may have been awarded during the course of the year.

The mean bonus gap is larger than the median bonus gap due to the greater proportion of females in non-operational roles who received a percentage based performance award. This compares to the greater proportion of men within operational roles in London Underground who receive the lower value flat rate performance bonus (everyone receives the same value of award).

\* This refers to bonuses paid in the 12 months up to 31 March 2018.

# Our results for non-operational employees

## Pay\* Our non-operational hourly pay rates



Non-operational positions do not have a fixed rate for the role. Within this group employees' pay is more flexible, with room for rewarding individual contribution and skills, and there is potentially more scope for inequity between different groups of employees.

Example roles are within human resources, finance, engineering, property development and customer contact centres.

\* The figures in this section show the TfL median and mean gender pay and bonus gap figures for non-operational employees based on hourly rates of pay at 31 March 2018.

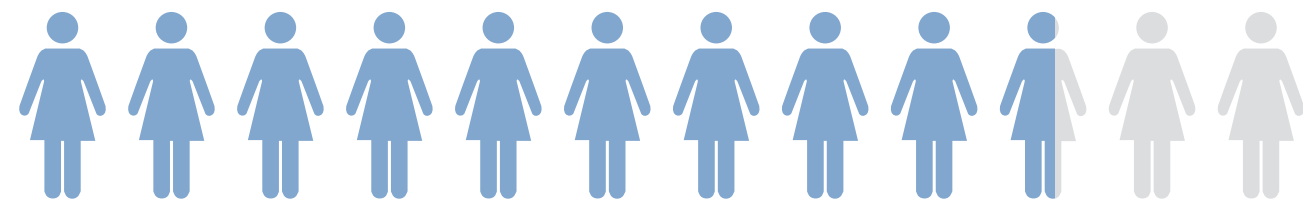
## Pay quartiles Median pay gap by quartile

Quartile	Men		Women		Pay gap
	Median hourly pay	Proportion of employees	Median hourly pay	Proportion of employees	
Upper	£38.54	81.6%	£38.71	18.4%	-0.4%
Upper middle	£31.15	81.0%	£30.65	19.0%	1.6%
Lower middle	£25.69	64.0%	£24.92	36.0%	3.0%
Lower	£18.07	52.7%	£18.11	47.3%	-0.2%

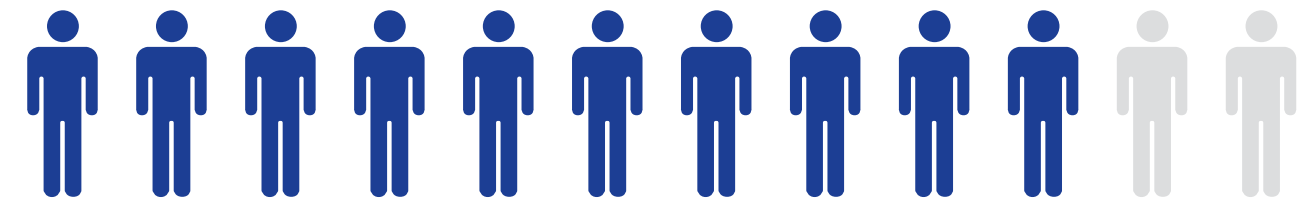
## Mean pay gap by quartile

Quartile	Men		Women		Pay gap
	Mean hourly pay	Proportion of employees	Mean hourly pay	Proportion of employees	
Upper	£41.92	81.6%	£44.08	18.4%	-5.1%
Upper middle	£30.87	81.0%	£30.66	19.0%	0.7%
Lower middle	£25.33	64.0%	£24.83	36.0%	2.0%
Lower	£17.39	52.7%	£17.78	47.3%	-2.3%

**Bonuses\***  
Proportion of employees who received a bonus



**80.6%**  
women



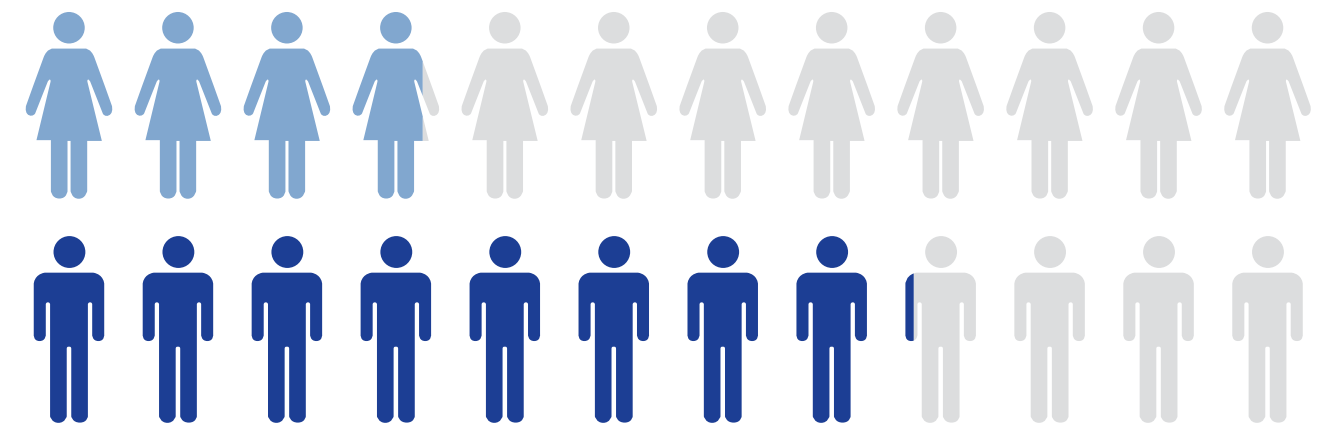
**85.5%**  
men

■ Received a bonus      ■ Did not receive a bonus

**Bonus gap**



There is a higher proportion of men within London Underground who would only be eligible for the LU operational performance bonus which has a lower value. The male median bonus was £275. In contrast, the greater proportion of women in roles which receive a percentage based bonus brings the female median value up. The median female bonus is £616.

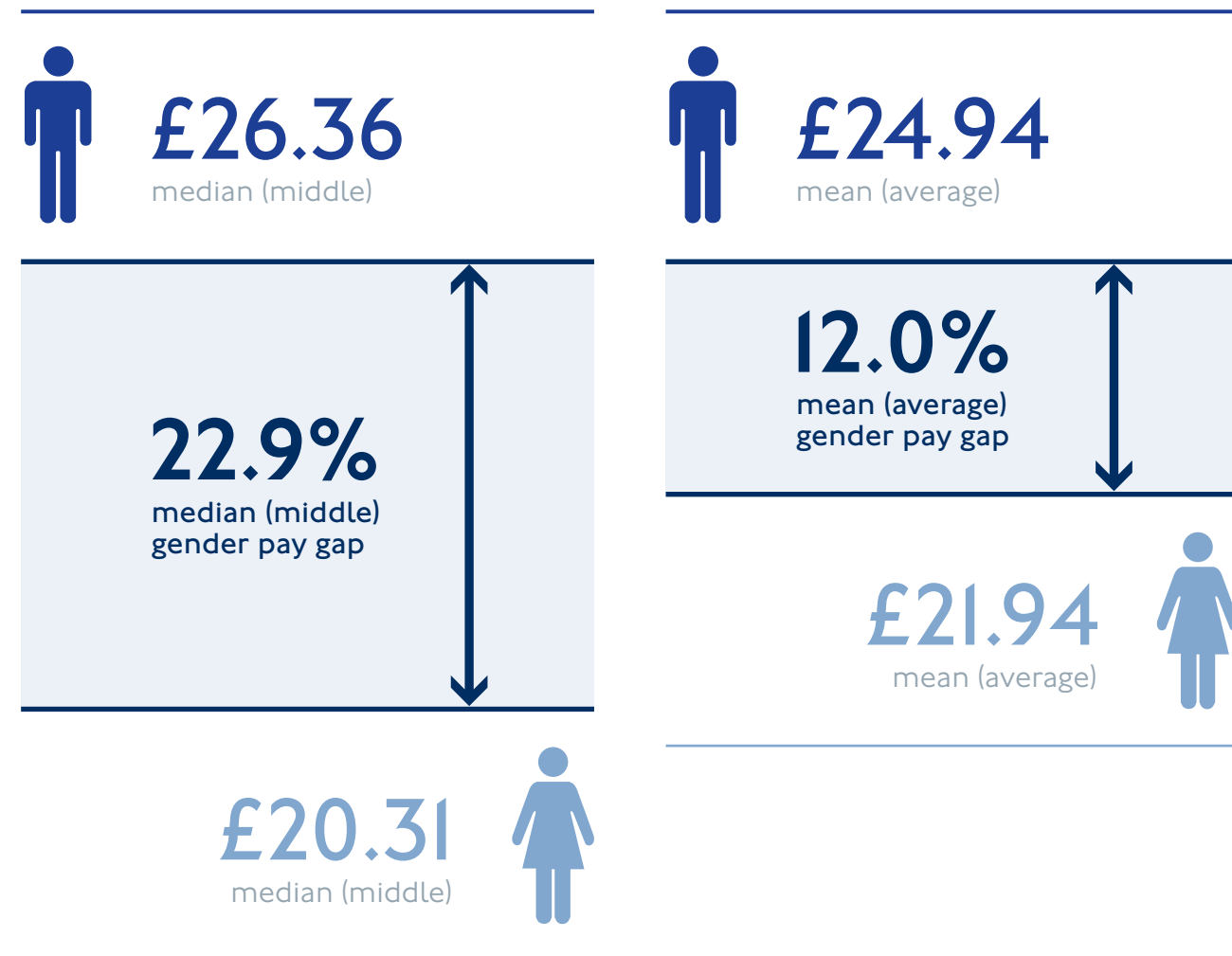


**12,727** employees  
**30.9%** women  
**69.1%** men

\* This refers to bonuses paid in the 12 months up to 31 March 2018.

# Our results for operational employees

## Pay\* Our operational hourly pay rates



Page 25

Operational roles include those of 'spot rate' or 'fixed rate' roles as part of the operational staff pay structure; for example, Station Supervisor, Train Operator, Customer Service Assistant, Track Operative, Dial-a-Ride Driver, Bus Station Controller, Pier Controller.

By definition this is the same rate of pay for the role irrespective of gender therefore no differentials exist within each job.

\* The figures in this section show the TfL median and mean gender pay and bonus gap figures for operational employees based on hourly rates of pay at 31 March 2018.

## Pay quartiles Median gender pay gap by quartile

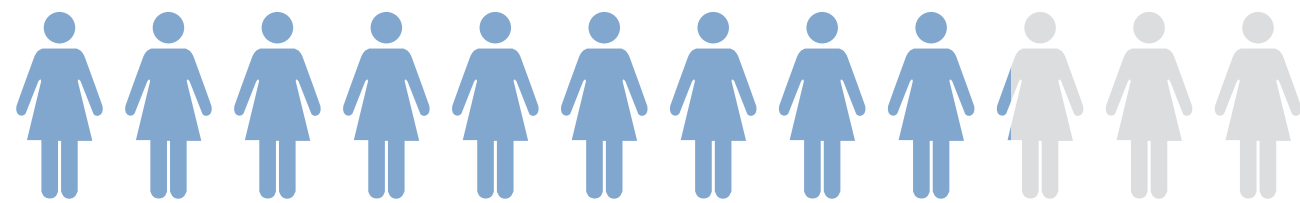
Quartile	Men		Women		Pay gap
	Median hourly pay	Proportion of employees	Median hourly pay	Proportion of employees	
Upper	£30.21	90.1%	£29.01	9.9%	4.0%
Upper middle	£28.87	88.3%	£29.01	11.7%	-0.5%
Lower middle	£21.32	83.1%	£21.19	16.9%	0.7%
Lower	£17.68	72.3%	£17.68	27.7%	0.0%

## Mean gender pay gap by quartile

Quartile	Men		Women		Pay gap
	Mean hourly pay	Proportion of employees	Mean hourly pay	Proportion of employees	
Upper	£31.45	90.1%	£30.45	9.9%	3.2%
Upper middle	£28.07	88.3%	£28.14	11.7%	-0.3%
Lower middle	£21.86	83.1%	£21.34	16.9%	2.4%
Lower	£16.56	72.3%	£16.61	27.7%	-0.3%

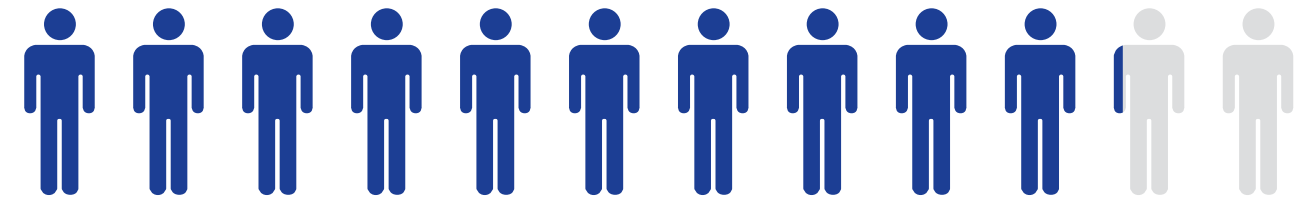
### Bonuses\*

Proportion of employees who received a bonus



# 77.4%

women



# 86.1%

men

■ Received a bonus
 ■ Did not receive a bonus

### Bonus gap

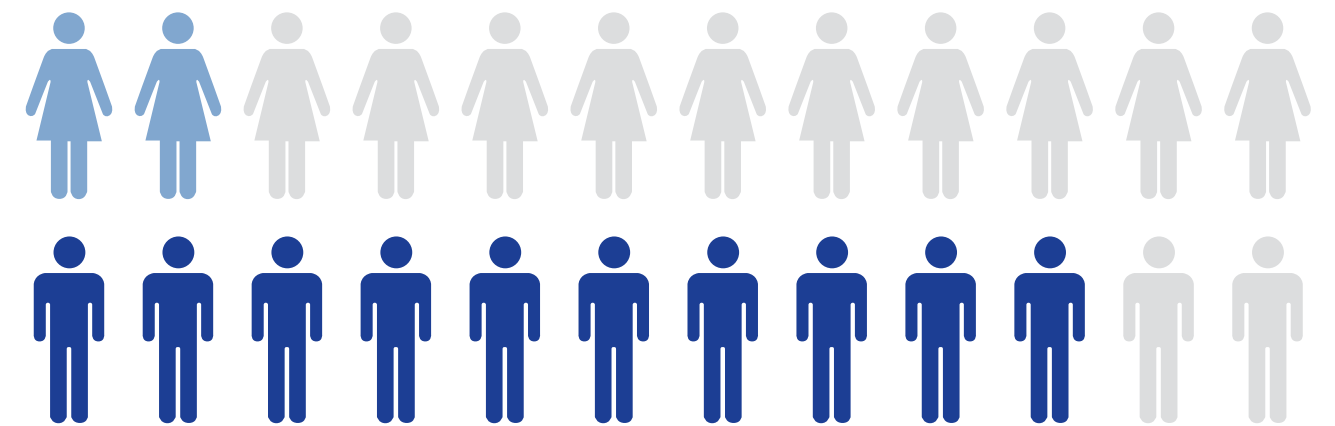
# 0.0%

median (middle)

# 6.0%

mean (average)

A significant number of our 14,000 operational employees receive a flat rate bonus linked entirely to operational performance. This explains why there is no median bonus gap.



# 14,672

employees

# 17.1%

women

# 82.9%

men

\* This refers to bonuses paid in the 12 months up to 31 March 2018.

# What this all means

It has been positive to see that the overall representation of women in TfL has increased in 2018 compared to 2017. The table below illustrates that in our non-operational business areas this has been across the majority of levels including senior management (with only a small decline in two mid-level grades). This increase in senior management representation in particular has contributed to a small decrease in the mean gender pay gap (down to 10.3 per cent from 10.7 per cent).

However, our operational population represents more than half (53.5 per cent) of our total workforce. In the operational world, our analysis shows that women are more likely to be employed in the lower paid grades. This has a significant impact on our overall median gender pay levels.

For example, the median male operational salary is c.£47,000 compared to the median female operational salary of c.£38,000.

This occupational segregation can also be seen through analysis of our new hires and promotions between 2017 and 2018. Of all women hired in to operational roles, 76.8 per cent went in to Customer Services Assistant (CSA) roles, while 10.5 per cent of women went in to Train Operator and train maintenance roles.

As a comparison, of all men hired in to operational roles, 59.9 per cent went in to CSA positions with nearly 20.4 per cent going in to the higher paid roles.

The salary differences between these roles has had a significant effect on median gender salary levels between 2017 and 2018.

However, the overall increase in women demonstrates the effectiveness of the interventions that have been put in place over the past year and is evident in that the mean average pay gap has reduced due to the increase in the proportion of women in the higher paid grades within the organisation.

The majority of our Action Plan is more likely to deliver an impact over the medium to long term. Attracting women into roles related to STEM subjects, such as engineering, which are traditionally staffed by men, as well as into senior management positions, is not something that can be easily achieved within a single reporting cycle, but we are committed to a long-term sustainable change.

	2017 representation of women	2018 representation of women	Change
Board	52.2%	56.0%	3.8%
Director	18.8%	25.5%	6.7%
Band 5	24.1%	27.8%	3.8%
Band 4	26.7%	27.7%	1.0%
Band 3	26.8%	26.4%	-0.4%
Band 2	27.1%	26.9%	-0.2%
Band 1	56.6%	57.6%	1.0%
Graduates	35.3%	36.6%	1.3%
Apprentices	13.2%	24.5%	11.3%

# How we're closing the pay gap

Our vision for equality is 'every person matters'. It articulates our commitment to becoming a more diverse organisation, reflecting the city we serve and maximising the talent we have.

Over the past 12 months, we have put in place a significant number of activities to increase the representation of women in our organisation. We are delivering on our ambition to create a more diverse organisation, more representative of London.

## Our scorecard

Our scorecard sets targets to improve: the overall representativeness of our organisation; the representativeness of our senior management; the inclusiveness of our workplace shown through the Inclusion Index in the TfL scorecard that we use to report on our progress to the Mayor and our Board.

Our senior leaders' performance award relies on progress in meeting our scorecard targets, and sees us place Diversity and Inclusion on the same footing as our other priorities including safety, reliability, customer satisfaction and finances.

## Diversity and Inclusion (D&I) dashboards

In April 2018, we launched the first version of our new D&I dashboards, providing further data and insight to our senior managers. These data driven

dashboards give a much richer and more insightful picture of employee outcomes and experience across the entire employee lifecycle.

The dashboards help us to focus our activity in the right areas and see how effective our actions are in different parts of our organisation. The measures included cover each stage in the employee lifecycle, for a number of characteristics covered by the Equality Act, and will be reviewed on a quarterly basis going forward. The dashboards are successfully driving local accountability and actions while demonstrating our commitment to improving transparency.

## Mentoring

We have taken steps to ensure that women and people from BAME communities are able to access senior, higher paid roles. We are already widening access to mentors and coaches as well as introducing targeted development programmes to identify the next generation of leaders from groups that are typically under-represented.

Internal mentoring will become increasingly important over the coming performance year. Mentor matching has been set up to link potential mentees to a suitable mentor. Our leaders have a wealth of knowledge and experience to share – and perhaps

even more importantly, understand the landscape, politics and idiosyncrasies of the business better than anyone. For mentees, this is a chance to explore individual personal goals and get a different perspective on careers and development opportunities.

Together, these steps will reduce the gender and ethnicity pay gaps.

## Creating an inclusive culture in London Underground

One of the ways that we will create an inclusive culture is through a better understanding of our secondment culture. By ensuring better visibility of the process as well as the opportunities available, we will encourage a truly meritocratic culture with clear links to recruitment.

## Our Time

We are leading supporters and partners of the Our Time initiative, co-ordinated by the GLA. The initiative will pair high-potential women with senior female and male employees from across the GLA family, for a minimum of six months.

We will create our own criteria for selecting high-potential women and senior staff will also be engaged to enable their participation. This will ensure the initiative helps to develop the necessary diverse pipeline of well-prepared, confident and ambitious women that is essential to achieving gender parity in the workplace.

While the initiative will begin by focusing on women, over time we plan to use the methodology to focus on other groups that face barriers to progression and therefore experience pay inequality.

## Work placement

We will launch our second Women in Construction programme which gives women work placements in the transport industry.

More than 15 women took part in the pilot programme, which was run in partnership with the charity Gingerbread, a not-for-profit organisation which supports single parents. The women come from a range of backgrounds – some are single parents and others are looking to gain experience that they can then use to gain employment in the transport sector. We are also currently running a programme to encourage more women into Train Operator roles.





### Behavioural insights

We are working in partnership with the Behavioural Insights Team (BIT), the Government Equalities Office and Harvard University. The partnership will use TfL data and the BIT's behavioural science expertise to understand how we can best tackle our gender pay gap. The project will see the Behavioural Insights Team:

- a. undertake background research to understand potential relevant behavioural factors
- b. analyse our data to understand gender differences across the talent management process. This will review employee salaries and bonuses, pay grades, recruitment, promotion and retention data, demographic data, employee tenure and other relevant data
- c. review our existing research and undertake additional qualitative research
- d. develop behavioural interventions that seek to achieve the goals outlined in the discovery phase, where possible involving academic partners from Harvard
- e. design a randomised controlled trial (RCT) to test the effectiveness of one or more interventions

### Recruitment

In June, we opened a high volume recruitment campaign for the role of Trains Manager, a senior operational role.

Underpinning the campaign was activity to increase the number of applications from under-represented groups. This involved promoting positive role models in the recruitment material, promoting the recruitment campaign through our Staff Network Groups, along with roadshow events allowing potential candidates to speak with existing Trains Managers.

The recruitment campaign was open to internal candidates, and provided a key opportunity for internal progression within London Underground.

The gender split of applications for the Trains Manager position saw nearly double the proportion of women making it through to the assessment stages, much higher than the existing London Underground employee composition.

### Anonymised CVs

Our anonymised shortlisting pilot took place last year, resulting in a significant increase in the percentage of women and BAME hires. In one pilot, we saw 53 per cent of new hires being women. We will continue with anonymising CVs.

### Awards

In March, we won the Recruitment Team of the Year at the FIRM Awards for work including the Women on the Front-line campaign. This programme helped to increase female participation in front-line roles through station open days and job adverts which highlighted positive female role models.

We were also commended for the outreach programme, 'Moving Forward'. We know that levels of deprivation are higher among London's BAME communities and this initiative targets deprived boroughs and girls' schools, aiming to increase social mobility and attract more girls into apprenticeships involving science, technology, engineering and mathematics.

In June, we won the UK award for best work/life balance, as researched by the world's largest jobs website Indeed, beating companies like Google and Apple to the top spot. This accolade was all the more rewarding as it was due to reviews left by current and previous employees rather than a judging panel.

The award recognised that we offer more than just a salary, seeking to offer a healthy work/life balance through a good holiday allocation, flexible working hours and support offered by our Staff Network Groups. This allows our employees to feel supported and to deliver their best performance for our customers.

### #BehindEveryGreatCity

As part of the Mayor's #BehindEveryGreatCity campaign, on 21 March 2018 we launched a competition to encourage more children to think about the many ways women play an integral role in helping people travel around London.

Our Women's Staff Network Group has more than 1,000 members and has been a passionate advocate of #BehindEveryGreatCity. It provides leadership and a forum for employees to meet fellow colleagues, giving them the opportunity to talk to each other, be supported and share advice. It also runs a number of activities from tech masterclasses, speed mentoring and sessions on gender bias. There are a number of spin-off groups, including Women in Tech, Females in Transport Engineering and Male Allies.

### What's planned for 2018/19

- More robust diversity and inclusion governance, with clear accountabilities, indicators to measure progress in response to our actions, and support for our Staff Network Groups, particularly the Women's Network
- Gender pay gap reduction to be set as a target and reduced each year
- Further elimination of bias in our approach to recruitment, performance and development. Also, to continue to attract, develop, promote and retain the best talent. Reviews on progress will be regularly reported to the Commissioner and Executive Committee
- Build on the success of existing initiatives to identify the next generation of leaders. To include the launch of a development programme targeted at groups that are currently under-represented in senior roles
- Full roll-out of anonymous job applications
- Support flexible working, unless there is a clear business case for not doing so
- Develop a new Diversity and Inclusion strategy that sets more challenging ambitions and aspirations
- Develop a new strategic approach to managing our talent, from pre-employment to executive recruitment, through a Talent strategy
- Include further gender-related targets in contracts with our main suppliers



# Written statement

We confirm that the data included in this report is accurate.



**Tricia Wright**  
Chief People Officer



**Staynton Brown**  
Director of Diversity,  
Inclusion and Talent



**Mike Brown MVO**  
Commissioner

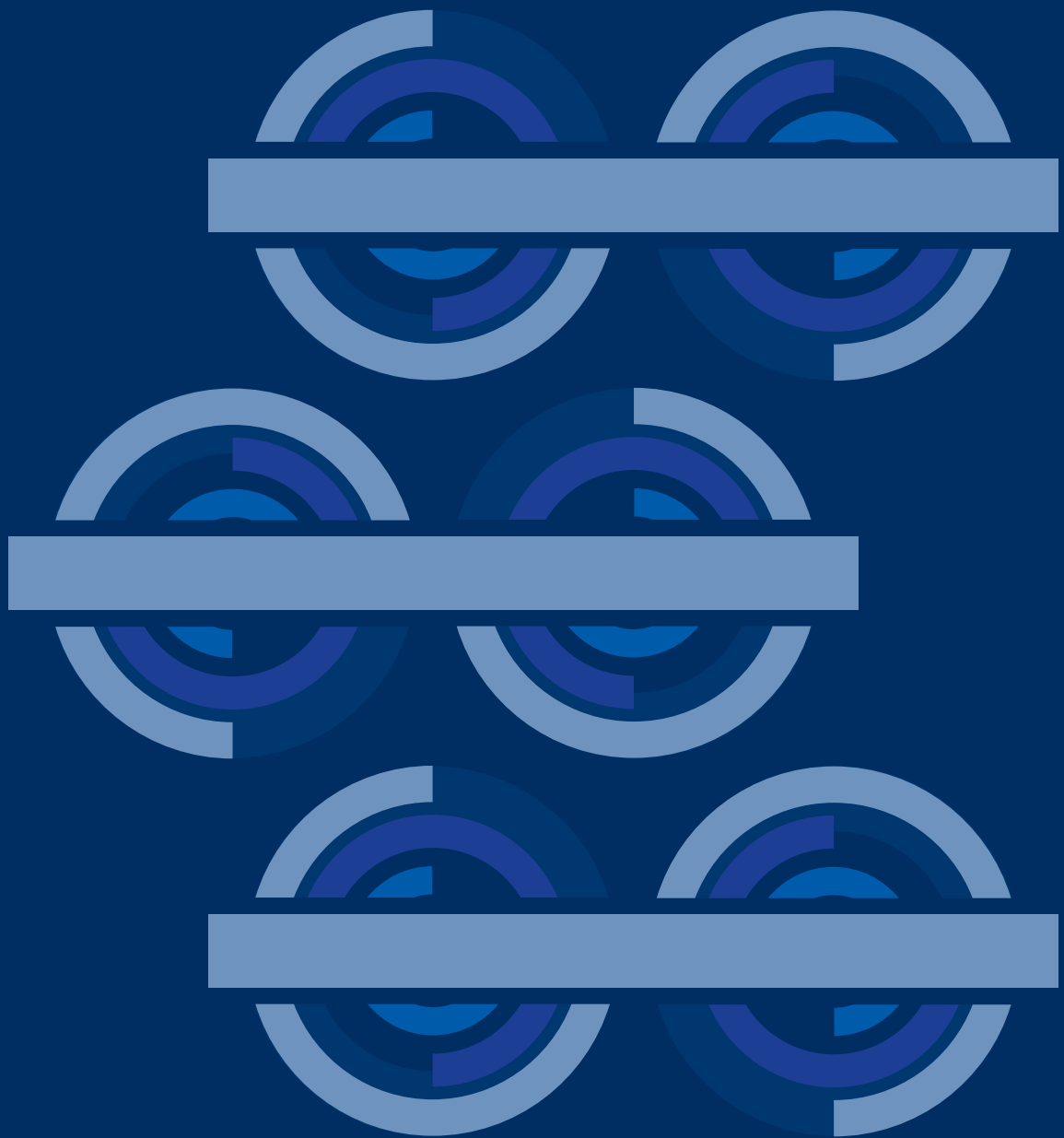


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December 2018

[tfl.gov.uk](http://tfl.gov.uk)

PUB18\_070

# TfL ethnicity pay gap report 2018



## About Transport for London (TfL)

Part of the Greater London Authority family led by Mayor of London Sadiq Khan, we are the integrated transport authority responsible for delivering the Mayor's aims for transport.

We have a key role in shaping what life is like in London, helping to realise the Mayor's vision for a 'City for All Londoners'. We are committed to creating a fairer, greener, healthier and more prosperous city. The Mayor's Transport Strategy sets a target for 80 per cent of all journeys to be made on foot, by cycle or using public transport by 2041. To make this a reality, we prioritise health and the quality of people's experience in everything we do.

We manage the city's red route strategic roads and, through collaboration with the London boroughs, can help shape the character of all London's streets. These are the places where Londoners travel, work, shop and socialise. Making them places for people to walk, cycle and spend time will reduce car dependency and improve air quality, revitalise town centres, boost businesses and connect communities.

We run most of London's public transport services, including the London Underground, London Buses, the Docklands Light Railway, London Overground, TfL Rail, London Trams, London River Services, London Dial-a-Ride, Victoria Coach Station, Santander Cycles and the Emirates Air Line. The quality and accessibility of these services is fundamental to Londoners' quality of life. By improving and expanding public transport, we can make people's lives easier and increase the appeal of sustainable travel over private car use.

We are moving ahead with many of London's most significant infrastructure projects, using transport to unlock growth. We are working with partners on major projects like Crossrail 2 and the Bakerloo Line Extension that will deliver the new homes and jobs London and the UK need. We are in the final phases of completing the Elizabeth line which, when it opens, will add 10 per cent to central London's rail capacity.

Supporting the delivery of high-density, mixed-use developments that are planned around active and sustainable travel will ensure that London's growth is good growth. We also use our own land to provide thousands of new affordable homes and our own supply chain creates tens of thousands of jobs and apprenticeships across the country.

We are committed to being an employer that is fully representative of the community we serve, where everyone can realise their potential. Our aim is to be a fully inclusive employer, valuing and celebrating the diversity of our workforce to improve services for all Londoners.

We are constantly working to improve the city for everyone. This means freezing fares so everyone can afford to use public transport, using data and technology to make services intuitive and easy to use, and doing all we can to make streets and transport services accessible to all. We reinvest every penny of our income to continually improve transport networks for the people who use them every day.

None of this would be possible without the support of boroughs, communities and other partners who we work with to improve our services. We all need to pull together to deliver the Mayor's Transport Strategy; by doing so we can create a better city as London grows.

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22	How we're closing the pay gap
24	Written statement

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Just over a quarter of our people are BAME

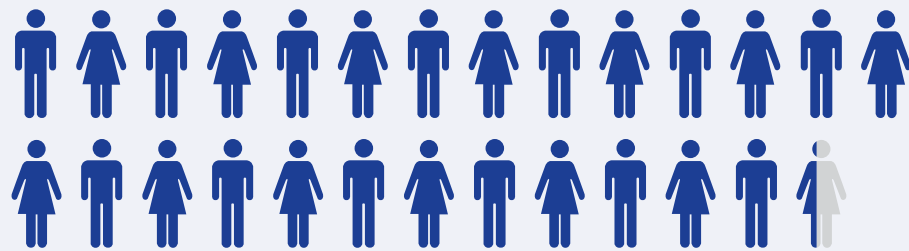
49.8%

white



26.4%

BAME



23.8%

prefer not to say/  
unknown



27,399

employees

Figures at 31 March 2018

# Foreword

London is one of the most diverse cities in the world. To support its continued success, we need a deeper understanding of our city and what matters to the people that live and work here. One of the best ways to achieve this is to have a truly representative workforce.

Embracing diversity is not just the right thing to do; it makes business sense. Diverse organisations have a deeper understanding of their customers and serve them better; they attract and retain the best staff, solve problems faster and innovate more readily.

In the last 12 months, we have driven an overall increase in colleagues from black, Asian and minority ethnic (BAME) groups across most roles and grades in our organisation. This is encouraging but there is still more to do, particularly when it comes to our operational areas and we must do all we can to improve diversity in these critical roles.

We're committed to becoming a more diverse organisation that welcomes people from all backgrounds and actively supports their professional development. Our focus is on long-term change, building on existing effective initiatives and identifying further ways to ensure BAME colleagues have access to senior roles and can successfully progress their careers.

We are widening our mentoring programmes to increase participation from minority groups and revisiting secondments and work placements. In recruitment, we're further eliminating



bias, encouraging more applications from under-represented groups, and extending the Stuart Ross BAME internship programme.

There is no one single solution but we're continuing to challenge the status quo, both within our organisation and out in the wider transport industry. Together, we will ensure that all colleagues are equally supported to develop in their careers and are always able to deliver their best for London.

A handwritten signature in black ink, appearing to read 'Mike Brown'.

**Mike Brown MVO**  
Commissioner  
Transport for London

# What is the ethnicity pay gap?

It is the overall difference in the average pay of white and BAME staff.

It's the overall percentage difference in the average pay of white and BAME staff.

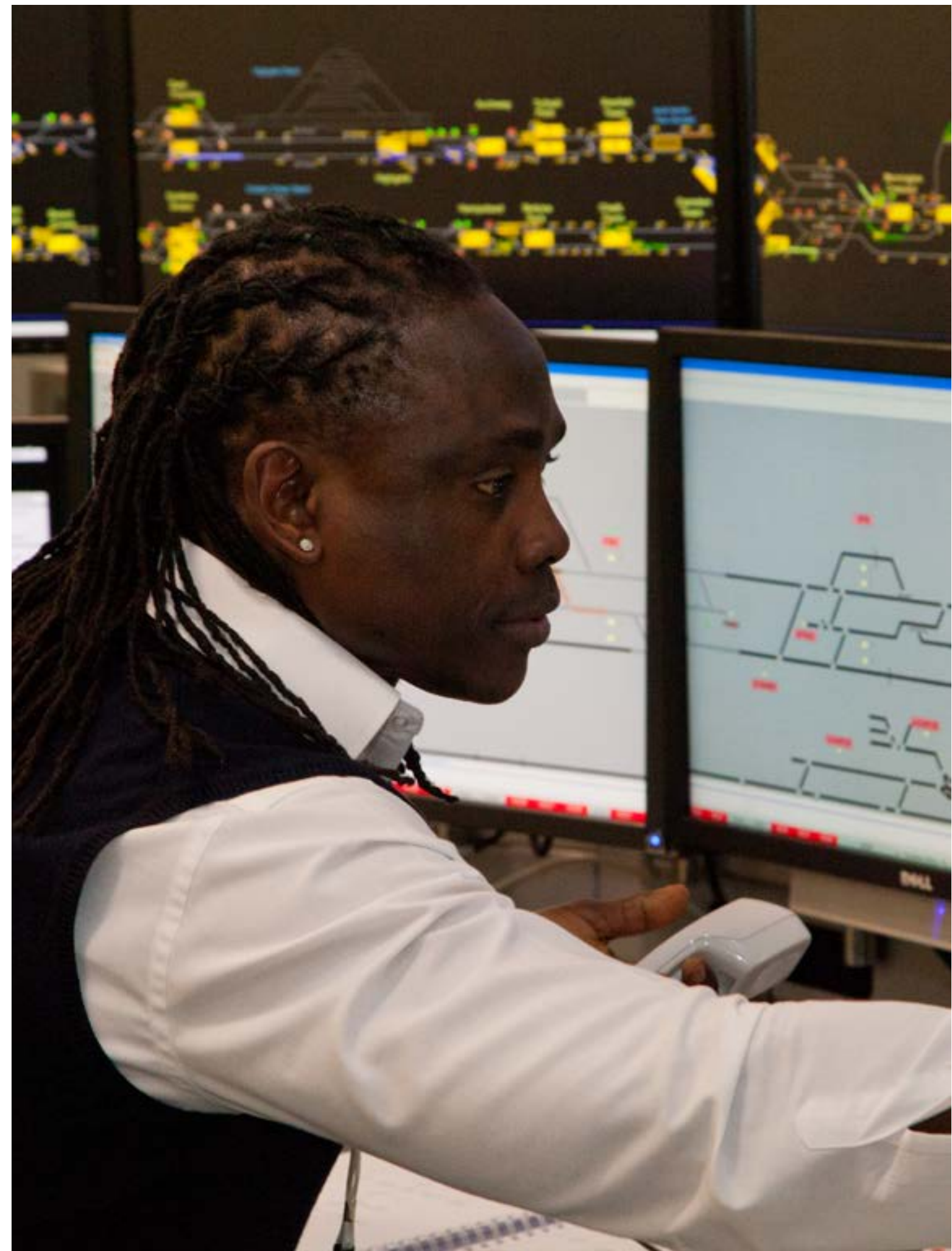
We calculate\* the ethnicity pay gap in two ways to give the clearest possible picture:

1. The mean shows the difference in average hourly pay between white and BAME employees.
2. The median shows the difference between the middle paid white employee and the middle paid BAME employee at TfL.

The mean pay gap summarises the overall pay of white and BAME staff, but it can be skewed by a small number of high or low earners in the group. The median gives a good idea of how much a typical white and BAME employee at TfL is paid.

## How our workforce is made up

Forty per cent of Londoners are BAME and 35 per cent of economically active Londoners\*\* are from BAME communities. At TfL 26.4 per cent of our workforce are BAME, with only 10.8 per cent BAME senior managers.



\* Our ethnicity pay gap calculation approach is in line with the Government regulations for calculating gender pay gaps.

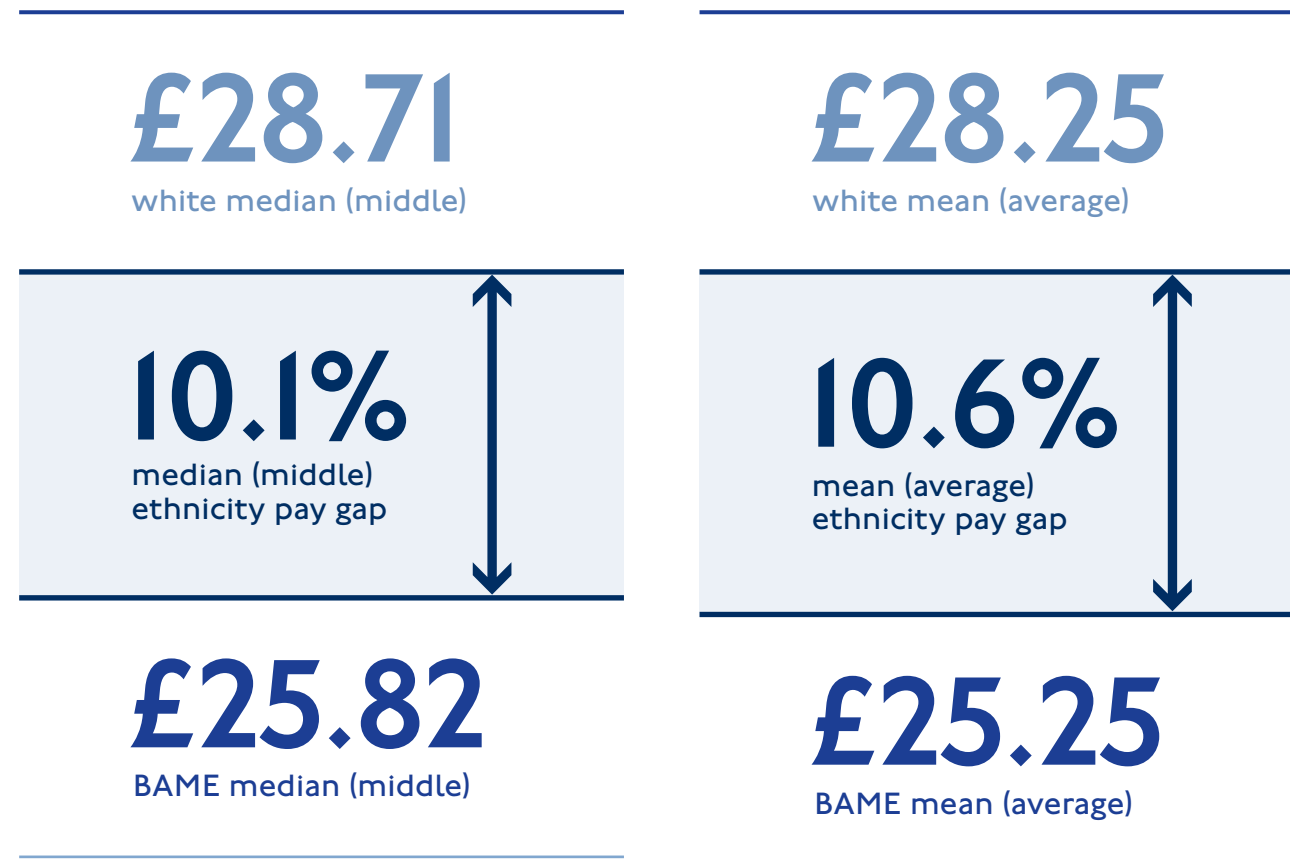
\*\* ONS Annual Population Survey, July 2016-June 2017.



# Our results across TfL

(including all operational and non-operational roles)

**Pay\***  
Our overall hourly pay rates



The under-representation of BAME employees at a senior level, and therefore in higher paid roles, along with the larger proportion of BAME employees in operational areas, is reflected in the overall average hourly pay rates figures shown in the report.

\* The figures in this section show the consolidated TfL median and mean ethnicity pay and bonus gap figures based on hourly rates of pay at 31 March 2018.

**Pay quartiles**  
Median ethnicity pay gap by quartile

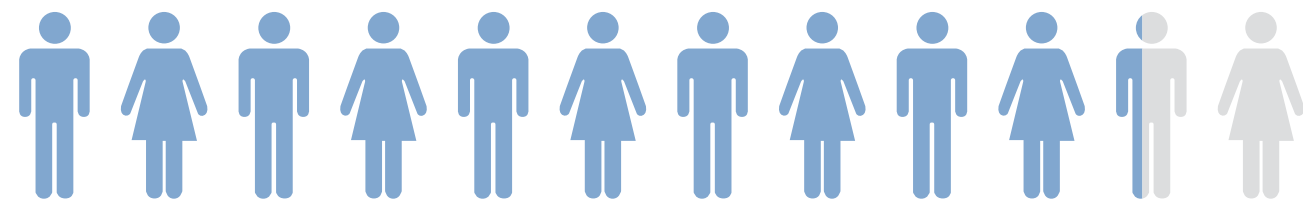
Quartile	White		BAME		Pay gap
	Median hourly pay	Proportion of employees	Median hourly pay	Proportion of employees	
Upper	£35.76	75.7%	£34.16	24.3%	4.5%
Upper middle	£29.01	66.3%	£29.01	33.7%	0.0%
Lower middle	£25.27	65.3%	£24.65	34.7%	2.5%
Lower	£17.68	55.1%	£17.68	44.9%	0.0%

Mean ethnicity pay gap by quartile

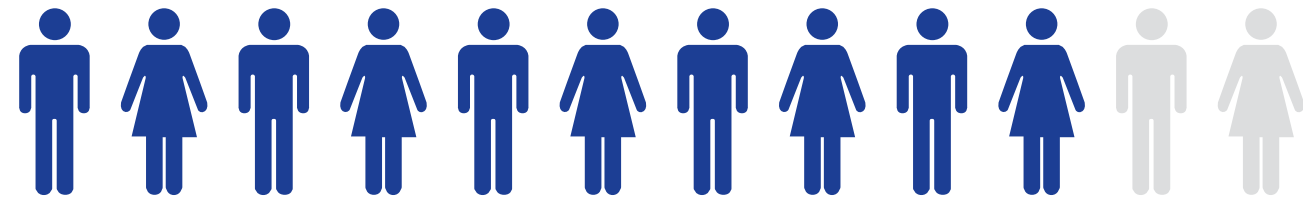
Quartile	White		BAME		Pay gap
	Mean hourly pay	Proportion of employees	Mean hourly pay	Proportion of employees	
Upper	£38.36	75.7%	£35.72	24.3%	6.9%
Upper middle	£29.14	66.3%	£29.03	33.7%	0.4%
Lower middle	£24.66	65.3%	£24.31	34.7%	1.4%
Lower	£17.54	55.1%	£17.47	44.9%	0.4%

The quartiles rank pay from lowest to highest and divide our employees into four evenly sized groups. Our under-representation of BAME in the higher paid roles is evident in the lower proportion of BAME in the upper quartiles.

### Bonuses Proportion of employees who received a bonus



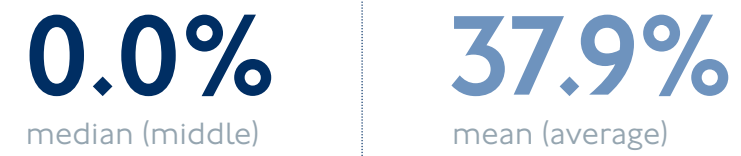
**87.4%**  
white employees



**82.6%**  
BAME employees

Received a bonus      Did not receive a bonus

### Bonus gap

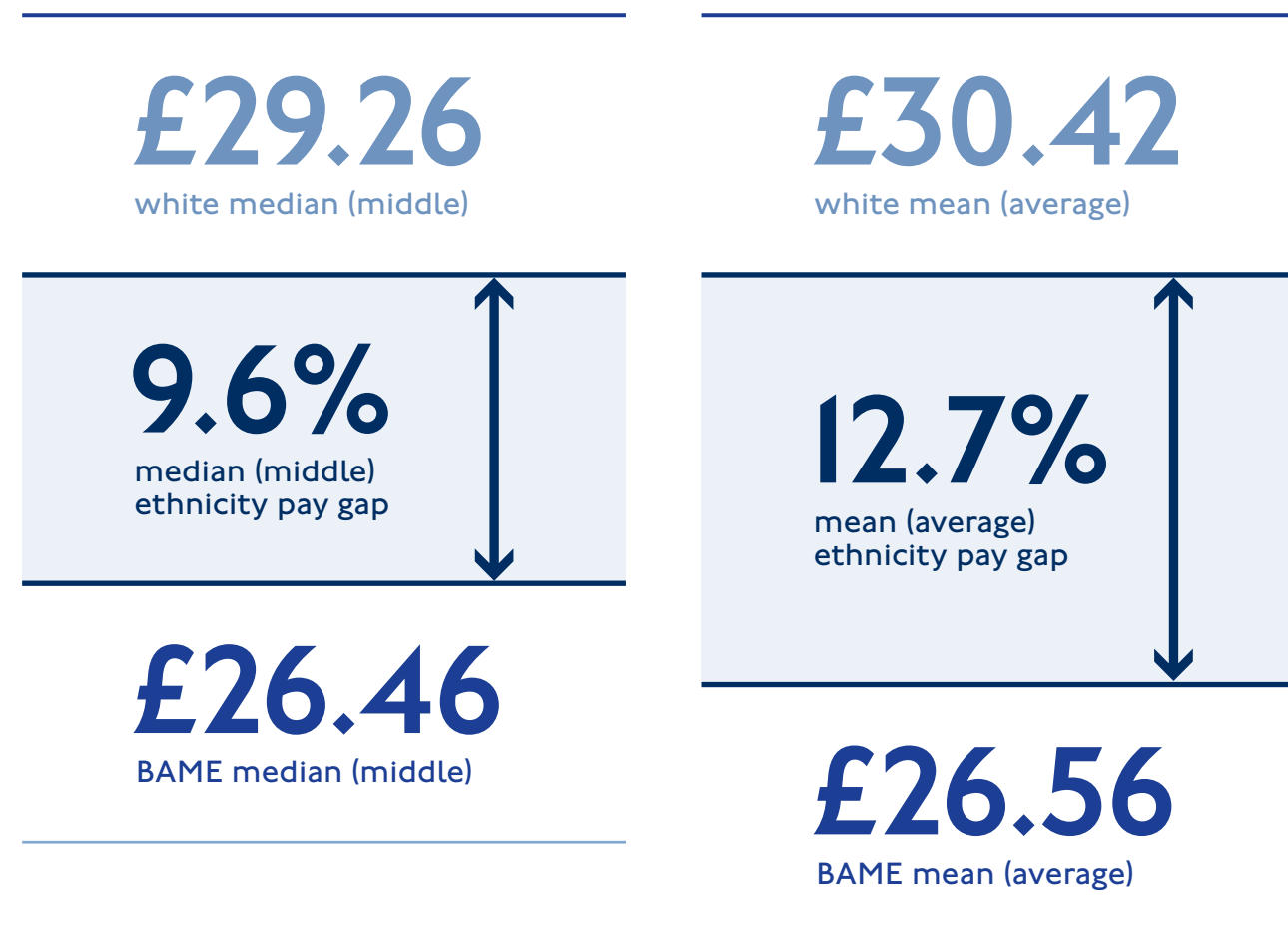


Bonus includes individual performance-related payments (performance awards), London Underground's performance bonus scheme (LCH bonus), Make a Difference recognition scheme vouchers, long-service awards and other one-off bonus payments that employees may have been awarded during the course of the year.

The mean bonus gap is higher than the median bonus gap due to having more employees from BAME communities within London Underground operational roles, in which they receive flat-rate bonuses linked to operational performance and recognition awards, compared to the higher proportion of white employees in non-operational and senior management roles, who receive percentage-based bonuses.

# Our results for non-operational employees

Pay\*  
Our non-operational hourly pay rates



Non-operational positions do not have a fixed rate for the role. Within this group employees' pay is more flexible, with room for rewarding individual contribution and skills, and there is potentially more scope for inequity between different groups of employees.

Example roles are within human resources, finance, engineering, property development and customer contact centres.

\* The figures in this section show the TfL median and mean gender pay and bonus gap figures for non-operational employees based on hourly rates of pay at 31 March 2018.

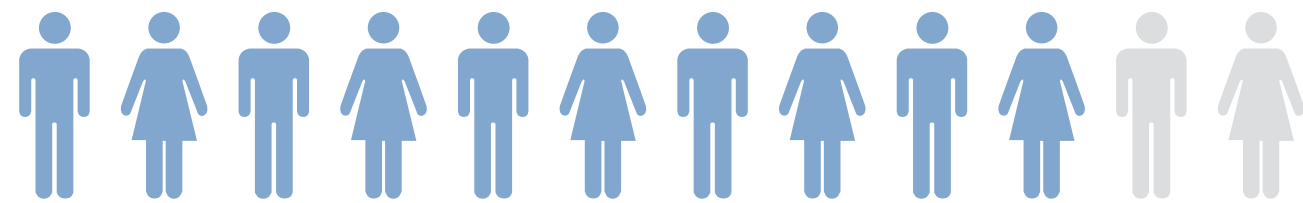
Pay quartiles  
Median ethnicity pay gap by quartile

Quartile	White		BAME		Pay gap
	Median hourly pay	Proportion of employees	Median hourly pay	Proportion of employees	
Upper	£39.15	80.7%	£37.72	19.3%	3.7%
Upper middle	£31.45	68.8%	£31.49	31.2%	-0.2%
Lower middle	£25.78	64.6%	£25.82	35.4%	-0.1%
Lower	£18.39	59.9%	£18.10	40.1%	1.6%

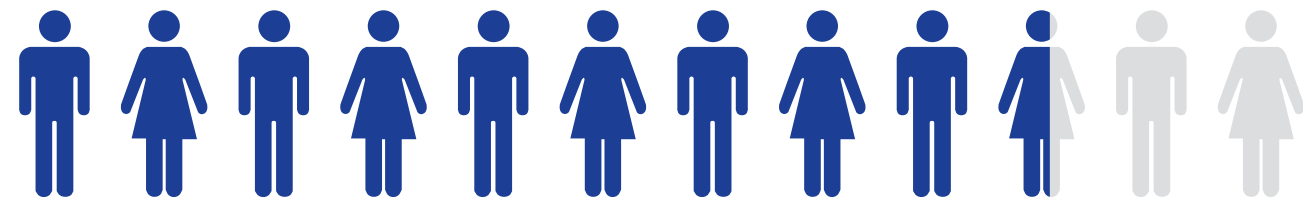
Mean ethnicity pay gap by quartile

Quartile	White		BAME		Pay gap
	Mean hourly pay	Proportion of employees	Mean hourly pay	Proportion of employees	
Upper	£43.19	80.7%	£40.31	19.3%	6.7%
Upper middle	£31.16	68.8%	£30.87	31.2%	0.9%
Lower middle	£25.44	64.6%	£25.50	35.4%	-0.2%
Lower	£17.73	59.9%	£17.56	40.1%	1.0%

**Bonuses**  
Proportion of employees who received a bonus



**84.7%**  
white employees



**80.2%**  
BAME employees

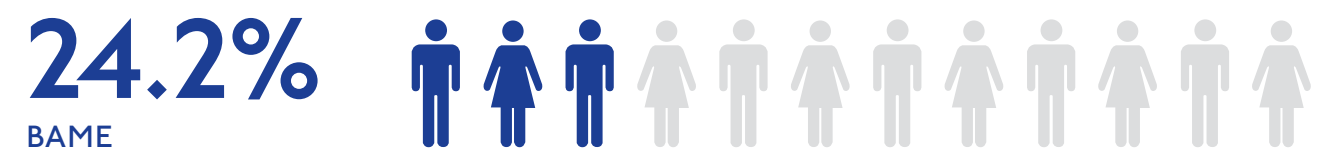
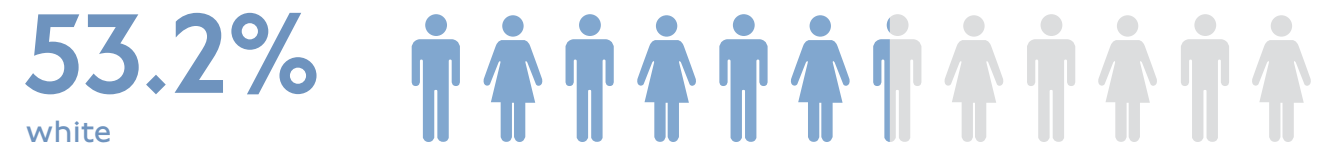
■ Received a bonus      ■ Did not receive a bonus

**Bonus gap**



The mean bonus gap is influenced by the higher proportion of white employees in senior management roles compared to the higher proportion of BAME employees in lower grade roles.

**12,727**  
employees



\* This refers to bonuses paid in the 12 months up to 31 March 2018.

# Our results for operational employees

Pay\*  
Our operational hourly pay rates

**£28.02**  
white median (middle)

**£26.14**  
white mean (average)

**7.9%**  
median (middle)  
ethnicity pay gap

**7.2%**  
mean (average)  
ethnicity pay gap

**£25.82**  
BAME median (middle)

**£24.26**  
BAME mean (average)

Operational roles include those of 'spot rate' or 'fixed rate' roles as part of the operational staff pay structure; for example, Station Supervisor, Train Operator, Customer Service Assistant, Track Operative, Dial-a-Ride Driver, Bus Station Controller, Pier Controller.

By definition this is the same rate of pay for the role irrespective of ethnicity therefore no differentials exist within each job.

\* The figures in this section show the TfL median and mean gender pay and bonus gap figures for operational employees based on hourly rates of pay at 31 March 2018.

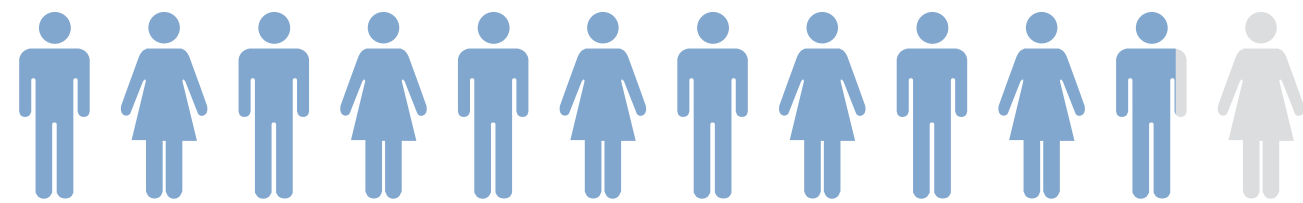
Pay quartiles  
Median ethnicity pay gap by quartile

Quartile	White		BAME		Pay gap
	Median hourly pay	Proportion of employees	Median hourly pay	Proportion of employees	
Upper	£30.26	71.6%	£30.26	28.4%	0.0%
Upper middle	£29.01	65.7%	£29.01	34.3%	0.0%
Lower middle	£23.80	62.7%	£23.37	37.3%	1.8%
Lower	£17.68	51.9%	£17.68	48.1%	0.0%

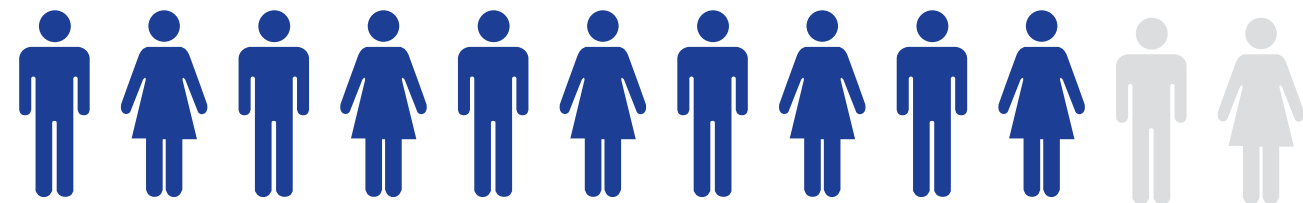
Mean ethnicity pay gap by quartile

Quartile	White		BAME		Pay gap
	Mean hourly pay	Proportion of employees	Mean hourly pay	Proportion of employees	
Upper	£31.97	71.6%	£31.49	28.4%	1.5%
Upper middle	£28.66	65.7%	£28.75	34.3%	-0.3%
Lower middle	£24.04	62.7%	£23.53	37.3%	2.1%
Lower	£17.44	51.9%	£17.34	48.1%	0.6%

**Bonuses\***  
Proportion of employees who received a bonus



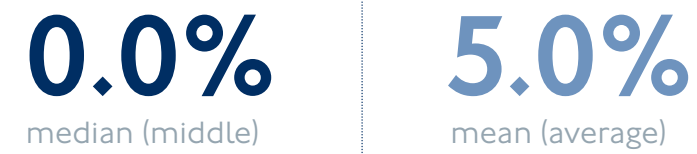
**90.0%**  
white employees



**84.4%**  
BAME employees

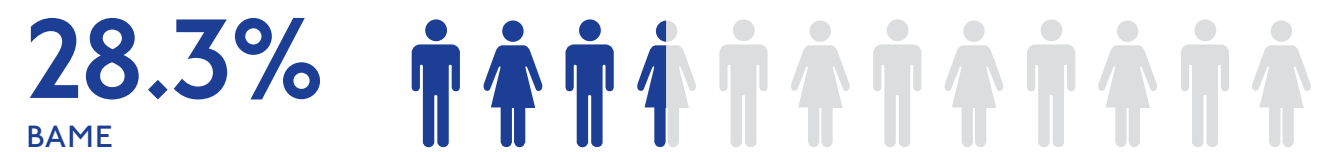
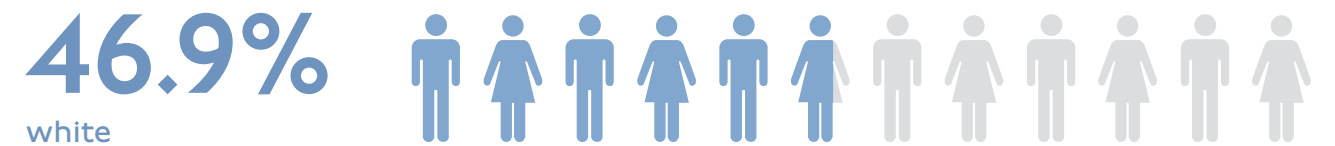
■ Received a bonus      ■ Did not receive a bonus

**Bonus gap**



A significant number of our 14,000 operational employees receive a flat rate bonus linked entirely to operational performance (everyone receives the same value award). This explains why there is no median bonus gap.

**14,672**  
employees



\* This refers to bonuses paid in the 12 months up to 31 March 2018.



# What this all means

It has been positive to see that the overall representation of BAME employees in non-operational roles within TfL has increased in 2018 compared to 2017. This has been across the majority of levels including senior management (with only a small decline at graduate level). This can be seen in the table below.

However, our operational population represents more than half (53.5 per cent) of our total workforce which means that BAME employees in this population have a significant impact on our overall median ethnicity pay levels. We have hired a higher number of BAME employees into the

lower paid operational roles. This has a significant effect on the median ethnicity salary levels between 2017 and 2018.

However, the overall increase in BAME employees demonstrates the effectiveness of the interventions that have been put in place over the past year.

The majority of our Action Plan is more likely to deliver an impact over the medium to long term. Attracting a more ethnically diverse workforce into roles traditionally staffed by white individuals is not something that can be easily achieved within a single reporting cycle.

	2017 representation of BAME	2018 representation of BAME	Change
Board	18.8%	17.6%	-1.1%
Director	7.0%	8.5%	1.5%
Band 5	7.6%	9.5%	1.9%
Band 4	14.4%	15.1%	0.7%
Band 3	26.3%	27.2%	0.8%
Band 2	34.5%	35.4%	1.0%
Band 1	43.1%	45.3%	2.2%
Graduates	25.4%	24.6%	-0.8%
Apprentices	30.9%	34.6%	3.7%



# How we're closing the pay gap

Our vision for equality is 'every person matters'. It articulates our commitment to becoming a more diverse organisation, reflecting the city we serve and maximising the talent we have.

Over the past 12 months, we have put in place a significant number of activities to increase the representation of BAME people within TfL. We are delivering on our ambition to create a more diverse organisation, more representative of London.

## Our scorecard

Our scorecard sets targets to improve: the overall representativeness of our organisation; the representativeness of our senior management; the inclusiveness of our workplace shown through the Inclusion Index in the TfL scorecard.

Our scorecard places Diversity and Inclusion on the same footing as our other priorities including safety, reliability, customer satisfaction and finances.

## Diversity and Inclusion (D&I) dashboards

In April 2018, we launched the first version of our new D&I dashboards, providing further data and insight to our senior managers. These data driven dashboards give a much richer and more insightful picture of employee outcomes and experience across the entire employee lifecycle.

The dashboards help us to focus our activity in the right areas and see how effective our actions are in different

parts of our organisation. The measures included cover each stage in the employee lifecycle, for a number of characteristics covered by the Equality Act, and will be reviewed on a quarterly basis going forward. The dashboards are successfully driving local accountability and actions while demonstrating our commitment to improving transparency.

## Mentoring

We have taken steps to ensure that women and people from BAME communities are able to access senior, higher paid roles. We are already widening access to mentors and coaches as well as introducing targeted development programmes to identify the next generation of leaders from groups that are typically under-represented.

Internal mentoring will become increasingly important over the coming performance year. Mentor matching has been set up to link potential mentees to a suitable mentor. Our leaders have a wealth of knowledge and experience to share – and perhaps even more importantly, understand the landscape, politics and idiosyncrasies of the business better than anyone. For mentees, this is a chance to explore individual personal goals and get a different perspective on careers and development opportunities.

## Stuart Ross Internship initiative

The organisation is piloting an expanded version of the Stuart Ross BAME internship programme to three new areas of its comms team. They are the Public Affairs and External Relations

team, its Customer team (which delivers behaviour change campaigns) and its Travel Demand Management Programme, which communicates with and influences customers to reduce congestion.

Currently, about 12 per cent of TfL's 250 staff in these three teams are from BAME backgrounds, compared with nearly a third of the organisation's 26-strong press office team, where the scheme originated.

## Creating an inclusive culture in London Underground

One of the ways that we will create an inclusive culture is through a better understanding of our secondment culture. By ensuring better visibility of the process as well as the opportunities available, we will encourage a truly meritocratic culture with clear links to recruitment.

## Recruitment

In June, TfL opened a high volume recruitment campaign for the role of Trains Manager. This position is a senior operational role which manages our Train Operators.

Underpinning the campaign was activity to stimulate the number of applications for this position from under-represented groups. This involved promoting positive role models in the recruitment material, promoting the recruitment campaign through our Staff Network Groups, and roadshow events allowing potential candidates to speak with existing Trains Managers. The recruitment campaign was open to internal

candidates, and provided a key opportunity for internal progression within London Underground.

## Anonymised CVs

Our anonymised shortlisting pilot took place last year, resulting in a significant increase in the percentage of women and BAME hires. In both pilots, we saw, on average, 35 per cent of new hires being BAME.

## Awards

We were commended for the outreach programme, 'Moving Forward'; we know that levels of deprivation are higher among London's BAME communities, this initiative targets deprived boroughs and girls' schools, aiming to increase social mobility and attract more girls into apprenticeships involving science, technology, engineering and mathematics.

In June, we won the UK award for best work/life balance, as researched by the world's largest jobs website Indeed, beating companies like Google and Apple to the top spot. This accolade was all the more rewarding as it was due to reviews left by current and previous employees rather than a judging panel.

The award recognised that we offer more than just a salary, seeking to offer a healthy work/life balance through a good holiday allocation, flexible working hours and support offered by our Staff Network Groups. This allows our employees to feel supported and to deliver their best performance for our customers.



# Written statement

We confirm that the data included in this report is accurate.



**Tricia Wright**  
Chief People Officer



**Staynton Brown**  
Director of Diversity,  
Inclusion and Talent



**Mike Brown MVO**  
Commissioner



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December 2018

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## Remuneration Committee



**Date:** 23 January 2019

**Item:** Remuneration Benchmarking

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

#### **1 Purpose**

- 1.1 This paper is to support the Committee's review and agreement of its remuneration benchmarking requirements for the roles under its Terms of Reference with a particular focus on the applicable 'peer group' to be surveyed, the method to be used for generating comparable remuneration data and the preferred format for information to be presented in.
- 1.2 This paper has been drafted with the support of our retained executive remuneration consultant, Aon. An Associate Partner and Partner from Aon will attend the meeting to assist the Committee's review and to note the Committee's requirements so that work can commence on the 2019 report immediately following.
- 1.3 It is intended that a draft remuneration benchmarking report will then be presented to the Committee at its next meeting.

#### **2 Recommendations**

- 2.1 **The Committee is asked to note the paper and:**
  - (a) **note the previous (2016) benchmarking report (Appendix 1) and in particular the methodology used to produce the benchmark information using a 'combined' market position from two separate peer groups;**
  - (b) **confirm the roles under its Terms of Reference that are to be surveyed as part of the 2019 report (see section 6 below and Appendix 2);**
  - (c) **agree a 'peer group' of organisations from which Aon should draw benchmark data from;**
  - (d) **agree the method to be used for generating comparable remuneration data; and**
  - (e) **confirm the Committee's preferred format for the 2019 report.**

### **3 Background – The existing report and methodology**

- 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 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:
- (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. 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 companies.
- 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 and the method for generating comparable data**

- 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
Sercos 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 information point 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.

4.6 Aon also produce a separate benchmarking report for TfL director roles that are not under the Committee's Terms of Reference. This report is used by Managing Directors to understand the relative positioning of pay of their direct reports. The information in this report is primarily derived from Aon's Executive Total Remuneration survey using a peer group consisting of approximately two hundred organisations of similar scale and/or complexity to TfL (excluding financial services).

## 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 '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). Comparator ratios show the specific position in percentage terms against the market quartiles and the median position.
- 5.3 Key information for Base Salary and Total Target Remuneration is summarised in two slides for all roles surveyed in order to provide a simple internal overview.

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

- 6.1 With the agreement of 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 required to contain information for all the roles now under its governance.

## **7 Issues for consideration**

- 7.1 The peer groups, methods and format described above were last considered by the Committee in 2015. The last benchmarking report was produced for the Committee was in January 2016. With the pending production of a new report in 2019 there is now an opportunity for the Committee to consider whether the existing approach remains fit for purpose or whether it should be updated in any way. With support from executive reward experts from Aon the Committee is invited to consider the following issues.
- 7.2 The private sector peer group used to benchmark the Managing Directors in prior exercises is fairly small in size, and focused only on listed companies. In order to provide more parity with the approach adopted for benchmarking across the organisation, the Committee may wish to adopt a broader private-sector group, which can be used for both Managing Directors and the Director population.
- 7.3 Benchmarking below Director level is currently undertaken against a peer group defined by Willis Towers Watson, representing organisations and subsidiaries based on their size, complexity and relevance. Aon currently holds data for around 36 per cent of the Willis Towers Watson peer group, with Board-level data available in the public domain for a further 10 per cent (see Appendix 3). This subset could be supplemented with further survey data on the same basis as above, to produce an analogous peer group. Aon's JobLink system would ensure that individual roles are only matched to those with a similar level of scope and responsibility from within the peer group.
- 7.4 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 the Committee may also wish to incorporate data representing these organisations.

- 7.5 It is likely that public disclosure of remuneration data would allow for a robust benchmark for both the Commissioner and the Chief Finance Officer roles. It may also be possible to provide select data for other Managing Director and Executive Committee roles, or an aggregate benchmark representing a typical Board or Executive Committee-level role. Below this level, this public sensitivity is expected to have a less significant impact on pay levels.
- 7.6 Where multiple peer groups are to be used, data may be utilised in a number of ways, including:
- (a) combined peer group – include data for both peer groups in each benchmark;
  - (b) blended benchmark – carry out separate benchmarks for each peer group, and present a single combined benchmark, with each peer group weighted separately; and
  - (c) separate benchmarks – present benchmarks for each peer group separately.
- 7.7 Of the above option (c) is thought to be the most appropriate, as it is the least complex and would allow the Committee to consider market positioning against each group separately.
- 7.8 Appendix 4 to this report is an example presentation of benchmark data, allowing multiple peer groups to be compared alongside one another.
- 7.9 The private sector group proposed will be large enough so that any benchmarks based thereon will include sufficient data to ensure robust results.
- 7.10 However, the publicly-accountable group, which in 2015 comprised only six organisations, could be expanded to provide a more robust view of the market – some examples of organisations that could be included are set out in the table below.

Publicly Accountable Group				
Organisation	Used in 2015?	Revenue (£m)	Total exp. (£m)	Number of employees
BBC	Yes	£5,062	£4,815	21,583
British Council		£1,076	£1,086	10,677
Civil Aviation Authority		£190	£192	1,028
High Speed Two Ltd		-	£229	1,350
Highways England		-	£2,738	4,911
Manchester Airport Group	Yes	£818	-	5,976
NATS	Yes	£931	-	4,310
Network Rail	Yes	£6,580	-	39,370
Nuclear Decommissioning Authority	Yes	-	£73,275	16,000
Office of Rail and Road		-	£30	293
Post Office	Yes	£1,031	-	5,020
UK Atomic Energy Authority		£105	£106	874

- 7.11 Other companies could also be included at the Committee's discretion, subject to the availability of data and the scope of the organisation in each case.
- 7.12 Assuming that a broad private-sector peer group is adopted, individual benchmarks can be defined using Aon's JobLink Level, which takes into account the responsibilities and complexity of the role, as well as the size of the organisation (or division). Benchmarks will also take into account the specific job title, as well as the relative seniority of each role.
- 7.13 However, when interpreting benchmark data and determining appropriate pay levels, the Committee should take into account a number of other factors, including:
- (a) where each role should be positioned relative to each market benchmark (which may vary based on the nature and complexity of each role, and its criticality to TfL);
  - (b) how each individual is paid relative to others within the organisation at the same level, as well as those above and below it; and
  - (c) individual factors, such as experience and performance in the role.
- 7.14 Furthermore, the market median should not necessarily be seen to represent the 'market rate'; in fact a range of around 15 per cent either side of the median may be considered appropriate for this purpose.
- 7.15 When benchmarking pay, companies typically seek to represent the talent market for each role: at a junior level this may focus on pay for their specific role and in their sector, while for more senior roles there is more focus on the size and complexity of the organisation. However, many aim for a reasonable degree of parity in the approach adopted for all employees.
- 7.16 Organisations need think very carefully about where they will draw potential recruits from for each specific role (e.g. public sector vs private sector). The history of employees in the roles can be a useful guide although it should be noted that this is not necessarily always true for future hires.
- 7.17 Aon is aware of similar publicly-accountable organisations who, when considering executive pay, take into account benchmark data representing the private sector, and separately, a peer group comprising publicly-accountable and regulated organisations.
- 7.18 Organisations in the publicly accountable body sector also need to ensure that they consider their own specific context in determining pay levels and benchmarking to the external market. For example, a private sector Chief Finance Officer role might differ to its TfL namesake due to its wider market requirements and as a result job titles cannot always be relied on to provide a robust comparison.



**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
- Appendix 3: Willis Towers Watson peer group participants
- Appendix 4: Sample benchmarking output

**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



# 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

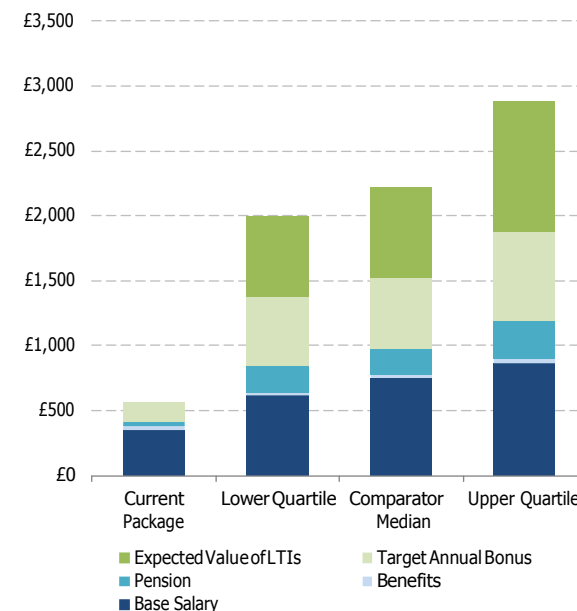
# Appendix 3 – Benchmarking Results

## Commissioner – Listed Companies Group

### Commissioner

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.

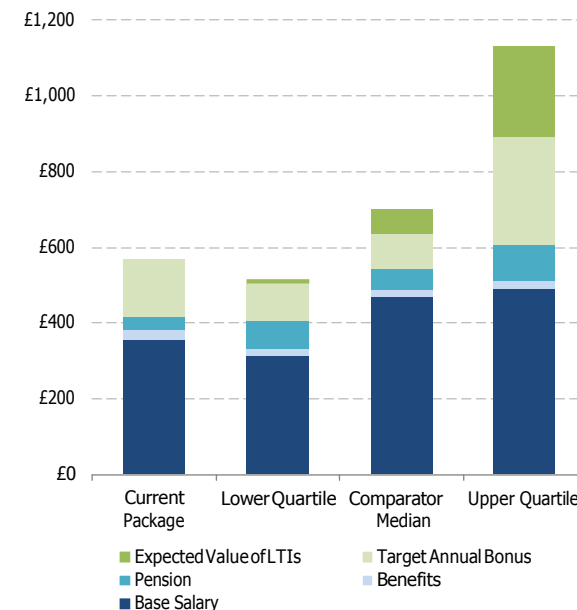
# Appendix 3 – Benchmarking Results

## Commissioner – Publicly Accountable Group

### Commissioner

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.

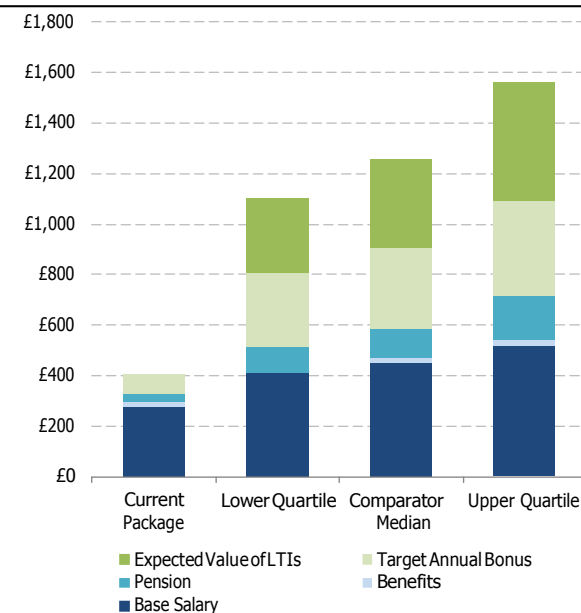
# Appendix 3 – Benchmarking Results

## Managing Director; Finance – Listed Companies Group

### Managing Director; Finance

November 2015

		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.

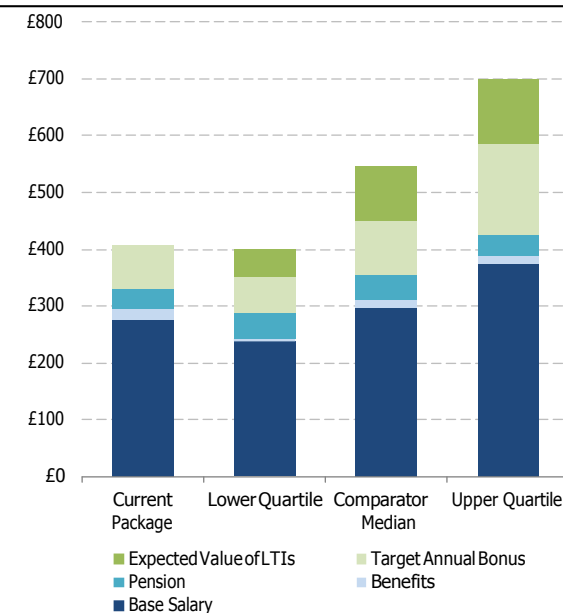
# Appendix 3 – Benchmarking Results

## Managing Director; Finance – Publicly Accountable Group

### Managing Director; Finance

November 2015

		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

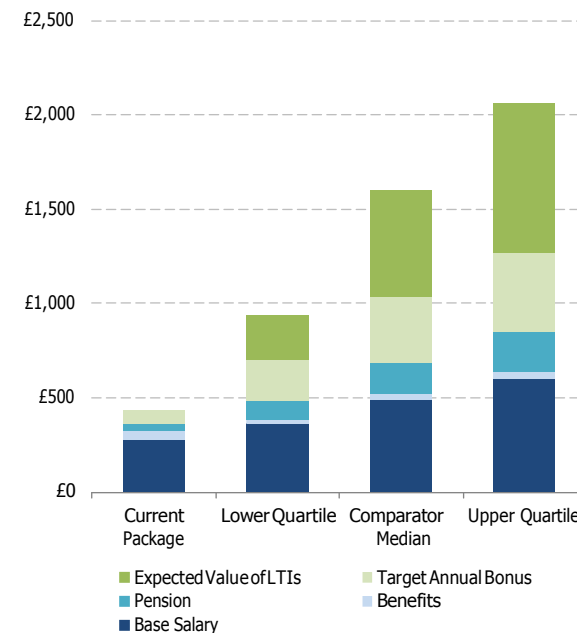
- Note that as there is no current incumbent for this role, we have shown above remuneration paid to the previous MD; Finance, Steve Allen. Base salary is between the lower quartile and median against the Publicly Accountable Group. Total target remuneration is close to the lower quartile.
- While not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

# Managing Director; Rail & Underground – Listed Companies Group

## Managing Director; Rail & Underground

November 2015

		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.

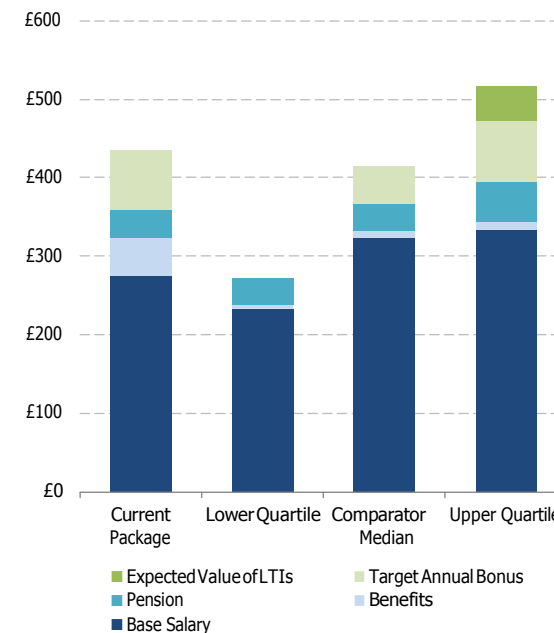


# Managing Director; Rail & Underground – Publicly Accountable Group

## Managing Director; Rail & Underground

November 2015

		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>



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### Benchmarking Notes

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

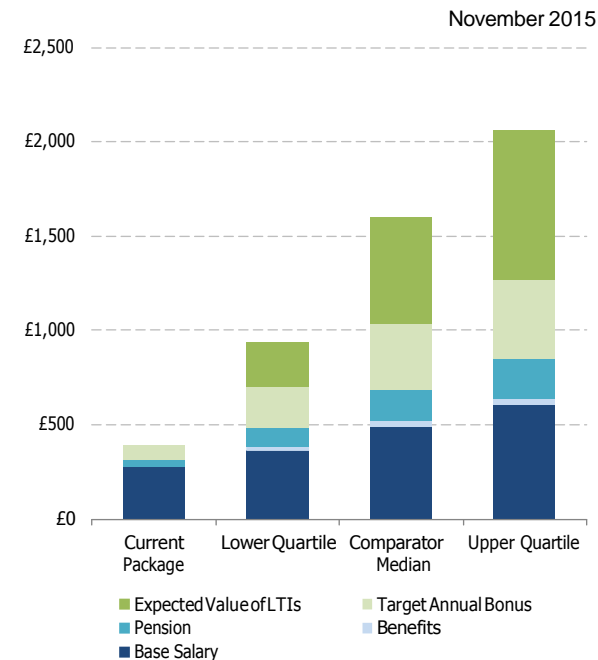
- Base salary for this role is between the lower quartile and the median of the Publicly Accountable Group.
- On-target bonus payments, at 28% of salary, are between the median and upper quartile.
- While not all comparators pay any long-term incentive, the median expected value of those which do is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

		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

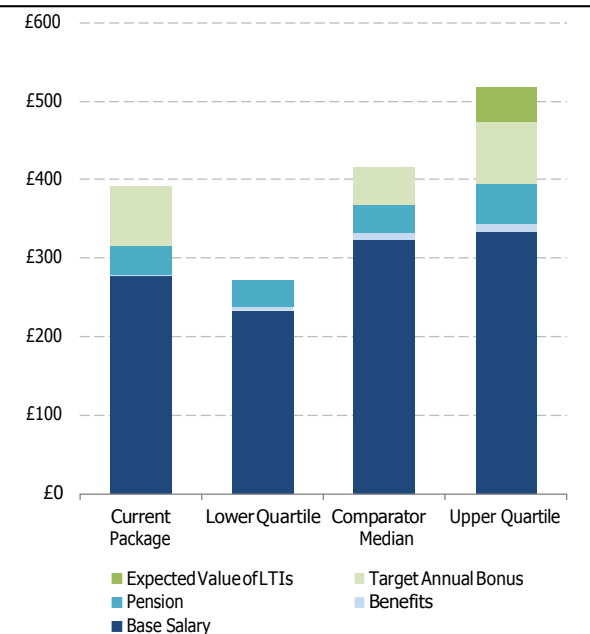
- Base salary for this role is below the lower quartile compared to the Listed Companies Group.
- Pension contributions at this level are now typically paid as a cash allowance of around 25% of base salary.
- On-target bonus payments, at 28% of salary, are below market levels.
- Total target remuneration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

# Managing Director; Surface Transport – Publicly Accountable Group

## Managing Director; Surface Transport

November 2015

		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>



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### 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.

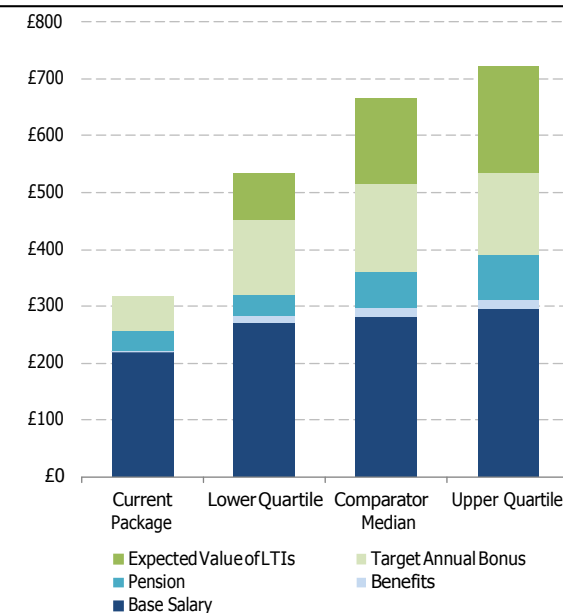
# Appendix 3 – Benchmarking Results

## Managing Director; Crossrail 2 – Listed Companies Group

### Managing Director; Crossrail 2

November 2015

		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.

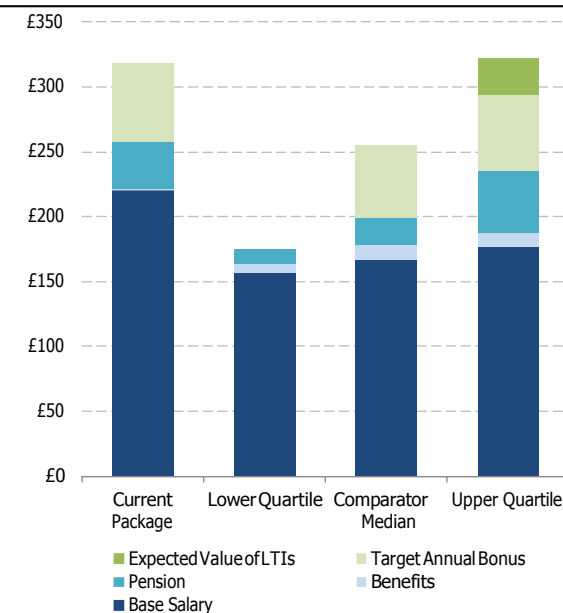
# Appendix 3 – Benchmarking Results

## Managing Director; Crossrail 2 – Publicly Accountable Group

### Managing Director; Crossrail 2

November 2015

		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.

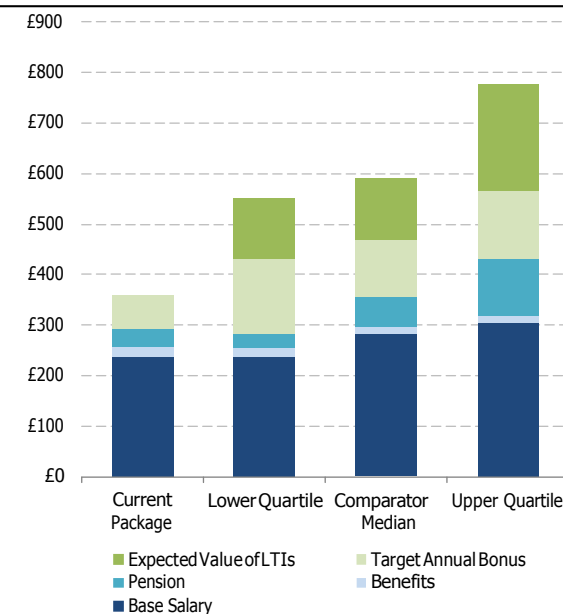
# Appendix 3 – Benchmarking Results

## General Counsel – Listed Companies Group

### General Counsel

November 2015

		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.

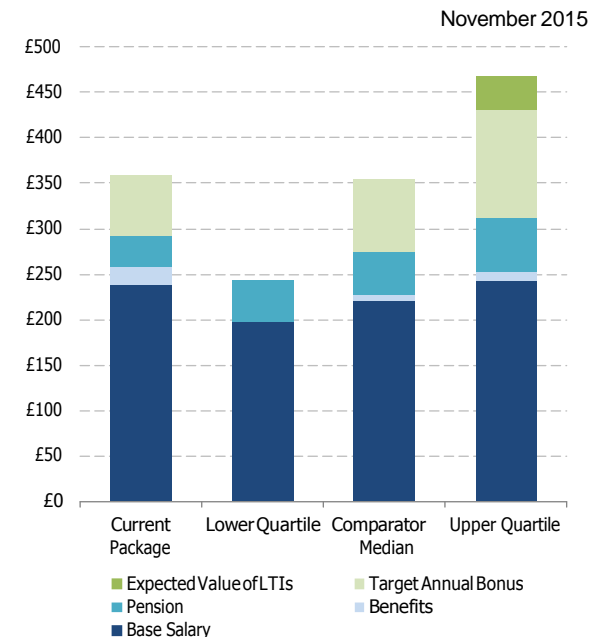


# Appendix 3 – Benchmarking Results

## General Counsel – Publicly Accountable Group

### General Counsel

		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.

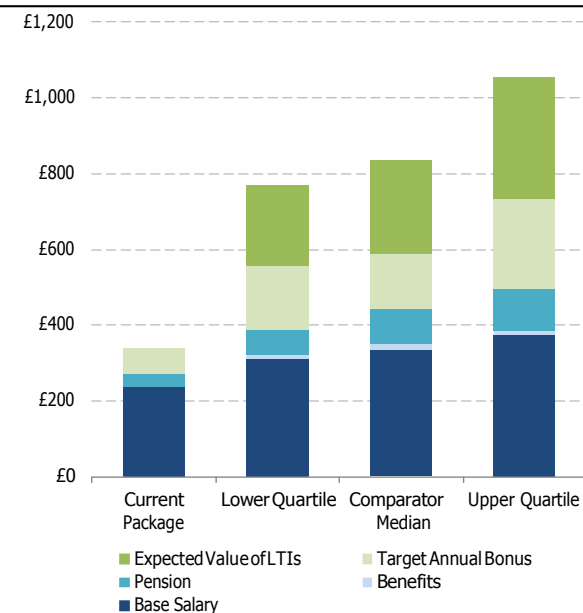
## Appendix 3 – Benchmarking Results

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

### MD; Customer Experience, Marketing & Comms

November 2015

		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>



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#### 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

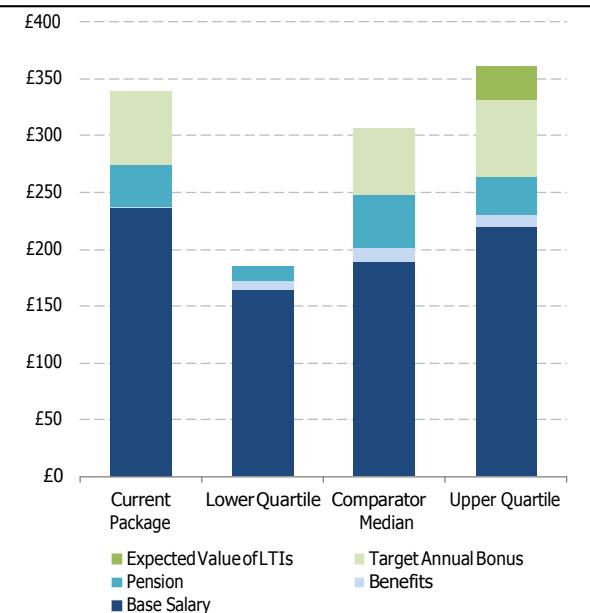
- Base salary for this role is below the lower quartile compared to the Listed Companies Group.
- On-target bonus payments, at 28% of salary, are below market levels.
- Total target remuneration is below the lower quartile.

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

## MD; Customer Experience, Marketing & Comms

November 2015

		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:

- (a) the Commissioner;
- (b) the Chief Finance Officer;
- (c) the General Counsel;
- (d) the Managing Director, Customers, Communication & Technology;
- (e) the Managing Director, Crossrail 2;
- (f) the Managing Director, London Underground;
- (g) the Managing Director, Surface Transport;
- (h) the Director of Commercial Development;
- (i) the Director of City Planning;
- (j) the Chief People Officer;
- (k) the Director of Major Projects; and
- (l) the Transformation Director.



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## Willis Towers Watson peer group participants

Willis Towers Watson peer group					
3M	BP - Downstream	EDF Energy - Generation	Kingfisher	Norgine	Smith & Nephew
AB Agri	BP - Upstream	Ericsson	Kohler	Novartis Pharma	Sony
ABBOTT LABS	BP IST	Ernst & Young	KPMG	Novo Nordisk	Sony Mobile Communications
Accenture	BPA	Evans	Kuehne + Nagel	Office Depot Europe	Stolt-Nielsen
Adecco Group	Brake Bros	F. Hoffman-La Roche	Land Securities Property Limited	Oracle	Takeda Pharmaceuticals
AGCO	Bristol-Myers Squibb	FirstGroup	Lend Lease	Orange	Talk Talk
Alliance Data Systems	British Gas	Fluor	Liberty Global	Outfit	Tarmac
Amazon.com	BT Global Services	Fujitsu	Lockheed Martin	PAREXEL	Telefonica
Amey Plc	Burton	GEFCO	Marks and Spencer Group PLC	Pearson	Telefonica Global Units
Anglian Water	Cambridge Assessment	General Electric	McCain Foods	Pfizer	Thames Water Utilities
Anglian Water - Water Recycling Services	Camelot	GlaxoSmithKline	McDonald's Corp	Pricewaterhouse Coopers	Thomas Cook Group
Anglian Water - Water Service	Capgemini	Google	McKesson	Qualcomm	Thomson Reuters
Anglo American	Cathay Pacific Airways	Guardian News & Media	Merck Sharpe and Dohme	Rentokil Initial	Trainline.com
Arcadia	Centrica plc	HCA Healthcare	Microsoft	Rio Tinto	Turner Broadcasting
Argos	CEVA Logistics	Hexion	Miss Selfridge	Rockwell Collins	UBM
Arqiva	Channel 4	Hilton Worldwide	Mitie	Rolls-Royce plc	UCB
Arup Group	Cisco Systems	HITACHI	Monsanto	Royal Mail	UK Mail
Astellas	Civil Aviation Authority	Honeywell	Moslon Coors Brewing	SAGA Group	United Utilities - Retail
AstraZeneca	Cognizant	IBM	Mothercare	Sainsbury's	United Utilities - Water Services
AT&T	Compass Group plc	ICF International	Muller	Samsung	United Utilities Group plc
Atkins	Connect Group	IDEX Corporation	Murphy Group	ScottishPower - Power Systemes	Valero Energy
BAE Systems plc	Debenhams	IHG	Nando's Chickenland	ScottishPower - Renewables	Verizon
BAE Sytems Applied Intelligence	Dell	IKEA	National Grid	ScottishPower - Retail & Generation	Virgin Atlantic Airways
Balfour Beatty	Delphi Technologies	Innogy npower	Network Rail	SSE	Virgin Media
BBA Aviation	DHL Express	Intel	Nexen Energy	SSE - Entrepriese	Vodafone
BBC	Dixons Carphone	Iron Mountain	Nissan (NMPC)	SSE - Networks	Vodafone Group
BBC Studios	Dorothy Perkins	ITV	Nissan Corporate	SSE - Retail	Waitrose
BDO	Dyson	Jaguar Land Rover	Nissan Motor	SSE - Wholesale	Wallis
Boehringer Ingelheim	E.ON	John Lewis Partnership	Nissan Motor (NDE)	Selfridges & Co	Walt Disney
Bombardier Transportation	E.ON - Climate and Renewables	Johnson & Johnson Consumer	Nissan Motor Manufacturing	Siemens	Westfield Europe
Boots	EDF Energy	Johnson & Johnson Medical	Nissan Technical Centre Europe	SIG	Wm Morrison Supermarkets
BP	EDF Energy - Customers	Kier Group	Nokia Oyj	Sky	XPO Logistics

The table above shows all the current constituents of the WTW benchmarking peer group. Those highlighted in green are those companies which also participate in Aon's executive surveys, while those highlighted in yellow are organisations for which Board-level data are publicly available.

It would be possible to supplement the above with a selection of companies from Aon's executive surveys, selected on the same basis as the WTW peer group. This might include organisations from relevant sectors such as: engineering (Amey, Babcock, Atkins); oil & gas (Shell, Tullow); utilities (Welsh Water, Yorkshire Water); aerospace (NATS, Rolls-Royce, AirTankers); travel & leisure (easyJet, Accor); real estate (British Land, Landsec) and support services (Grafton, Serco).

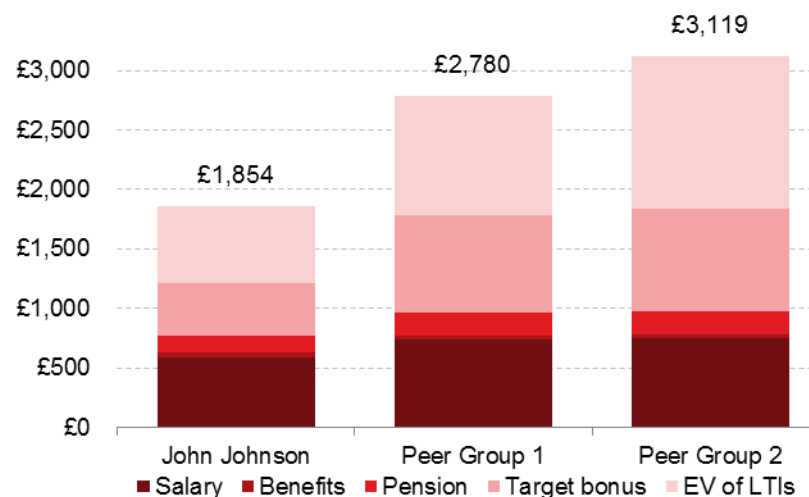
## Sample benchmarking output

		Salary	Benefits	Pension	On-Target Bonus	Expected Value of LTIs	Total Cash Compensation	Total Direct Compensation	Total Target Remuneration	On-Target Bonus	Maximum Bonus	Face Value of LTI Equivalent
		£000	£000	£000	£000	£000	£000	£000	£000	% of salary	% of salary	% of salary
Peer Group 1	Lower Quartile	£488	£17	£54	£404	£693	£939	£1,612	£1,658	78%	150%	200%
	<b>Median</b>	<b>£733</b>	<b>£29</b>	<b>£185</b>	<b>£733</b>	<b>£907</b>	<b>£1,464</b>	<b>£2,373</b>	<b>£2,780</b>	<b>100%</b>	<b>187%</b>	<b>250%</b>
	Upper Quartile	£819	£47	£350	£996	£1,382	£1,801	£3,313	£3,727	103%	200%	338%
Peer Group 2	Lower Quartile	£639	£23	£94	£526	£852	£1,161	£2,035	£2,242	75%	150%	250%
	<b>Median</b>	<b>£743</b>	<b>£33</b>	<b>£190</b>	<b>£822</b>	<b>£1,235</b>	<b>£1,618</b>	<b>£2,877</b>	<b>£3,119</b>	<b>100%</b>	<b>200%</b>	<b>319%</b>
	Upper Quartile	£907	£59	£279	£1,217	£1,540	£2,023	£3,558	£3,826	151%	240%	350%
<b>John Johnson</b>		<b>£585</b>	<b>£40</b>	<b>£146</b>	<b>£439</b>	<b>£644</b>	<b>£1,024</b>	<b>£1,667</b>	<b>£1,854</b>	<b>75%</b>	<b>150%</b>	<b>200%</b>
		Effective 1 January 2019	Car allowance and medical	25% of salary	75% of salary	LTI of 200% of salary valued at 55%	Salary + On-Target Bonus	Salary + On-Target Bonus + EV of LTIs	Salary + Benefits + Pension + On-Target Bonus + EV of LTIs	75% of salary	150% of salary	200% of salary

## Commentary

- This role has been matched against highest paid directors (i.e. CEOs or Executive Chairs) at comparable peer group organisations.
- Base salary is currently at 80% and 79% of the Peer Group 1 and 2 market medians respectively.
- Annual bonus opportunity (as a percentage of salary) is at the lower quartile, while LTI opportunity is at or below the lower quartile.
- Total target remuneration is at 67% of the Peer Group 1 median and 59% of the Peer Group 2 median.

## Summary of market position



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## Remuneration Committee



**Date:** 23 January 2019

**Item:** Members' Suggestions for Future Discussion Items

---

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

#### **1 Summary**

- 1.1 This paper presents the current forward programme for the Committee and explains how this is put together. Members are invited to suggest additional future discussion items for the forward plan. Members are also invited to suggest items for the Committee's induction session and for future informal briefings.

#### **2 Recommendation**

- 2.1 **The Committee is asked to note the forward programme and is invited to raise any suggestions for future discussion items for the forward plan and for informal briefings.**

#### **3 Forward Plan Development**

- 3.1 The Board and its Committees and Panels have forward plans. The content of the plans arise from a number of sources:
- (a) Standing items for each meeting: Minutes; Matters Arising and Actions List.
  - (b) Regular items (annual, half-year or quarterly) which are for review and approval or noting as specified in the Terms of Reference: Examples include the annual consideration of pay and performance awards for the staff listed in the terms of reference and regular reports on remuneration on a pan-TfL basis, pay gaps and TfL's approach to talent management and succession planning.
  - (c) Items requested by Members: The Chairs Coordination Group will regularly review the forward plans and may suggest items. Other items will arise out of actions from previous meetings (including meetings of the Board or other Committees and Panels) and any issues suggested under this agenda item.

#### **4 Current Plan**

- 4.1 The current plan is attached as Appendix 1. Like all plans, it is a snapshot in time and items may be added, removed or deferred to a later date. Dates for the meetings in 2019/20 will be confirmed shortly.



**List of appendices to this report:**

Appendix 1: Remuneration Committee Forward Plan.

**List of Background Papers:**

None

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## Remuneration Committee Forward Planner 2019/20

**Membership:** Ben Story (Chair), Kay Carberry CBE (Vice Chair), Heidi Alexander and Ron Kalifa OBE

<b>18 June 2019</b>		
Executive Committee Remuneration benchmarking	Chief People Officer	Review the results of the 2019 remuneration benchmarking undertaken for specified Executive Committee roles.
2018-19 Scorecard Outturn	Commissioner	To note performance against the TfL scorecard
TfL Performance Awards	Commissioner	To approve performance awards for the Commissioner and other roles specified in its terms of reference.
TfL Remuneration	Chief People Officer	Annual update on remuneration on a pan-TfL basis including base pay and performance awards.

<b>11 July 2019</b>		
Any outstanding issues from the items discussed in June 2019	Commissioner	
Workforce planning	Chief People Officer	Mapping out the staff talent and specialisms that TfL needed now and in the future to meet its delivery needs, including the numbers of contractors/agency staff
Compliance training	Chief People Officer	Benchmarking data on the mandatory training on compliance issues across TfL (e.g. Health and Safety, Diversity and Inclusion, Fraud Awareness) listing the training and the compliance rate.

<b>6 November 2019</b>		
Talent Management and Succession Planning	Chief People Officer	Annual update, including plans for members of the Executive Committee.
TfL Remuneration	Chief People Officer Commissioner	Annual update on remuneration on a pan-TfL basis including base pay and performance awards.

<b>5 February 2020</b>		
Pay Gap Analysis	Chief People Officer	Update based on 2018/19 data sets
Executive Committee Remuneration benchmarking	Chief People Officer	Proposals for the peer group and format of the 2020 Executive Committee Remuneration benchmarking Report, ahead of a paper to the next meeting.

Regular items each year

- Executive Committee Remuneration benchmarking
- TfL Performance Delivery and Performance Awards
- TfL Remuneration
- Pay Gap Analysis
- Talent Management and Succession Planning

Items to be programmed

- Salary for any person proposed to be appointed as an Officer of TfL with an annual basic salary of £100,000 or more.