

## Report on members' remuneration

### Remuneration policy for executive members of the Board

The remuneration of executive Board members is determined by the remuneration committee, the membership and terms of reference of which are detailed on page 169. In framing its remuneration policy, the committee has given full consideration to the best practice provisions of the UK Corporate Governance Code.

The remuneration policy allows Channel 4 to attract, motivate and retain high calibre staff and executive team members by rewarding them with both fixed and variable pay. In setting the policy, the remuneration committee takes into account the packages offered at comparable levels in the television and wider media industry, where share option schemes are offered by Channel 4's commercial competitors.

The remuneration committee seeks to balance the fixed and variable elements of pay in such a way as to reward commercial success while being sensitive to the position that Channel 4 occupies as a publicly owned organisation.

The remuneration committee met at the end of 2011 to set targets for staff and executives for the 2012 financial year, which were designed to promote the long term success of the group, and which were consistent with investment plans for the year. The committee met again at the end of 2012 and early in 2013 once results were available to decide on variable pay. Most staff and members of the executive team participate in the Corporate Performance Scheme, the key quantitative targets for which are set out below.

The maximum amounts payable range from 10% for staff up to 30% for executive team members.

Objective	Target Range	Final result
Licence requirements	Meet	All met or exceeded
Financial performance	As budget	Exceeded
Main channel share	6.8% – 7.1%	6.6%
Portfolio share	11.6% – 11.9%	11.5%
Core registered viewers	2.4m – 3.2m	6.3m
Share of net advertising revenue – sales house (including UKTV and Box)	27.0% – 27.8%	27.4%

Achievement of at least the budgeted financial result for the year is a gateway to the scheme for all staff, and achievement of licence obligations is an additional gateway for executive team members and other senior managers. As both gates were passed in 2012, the remuneration committee met twice to consider what level of payments to make in the light of the results shown in the table above.

As well as the quantitative measures shown above, the remuneration committee used their discretion and judgement to allocate an amount to recognise the more qualitative elements of programme quality. The remuneration committee also wished to recognise that the Paralympics had been an exceptional success in 2012 involving huge effort across the Corporation and used their discretion to award an additional, one-off, across the board bonus of 2.5% or a minimum of £1,000 as a reward for both the effort that had been applied and successful outcomes. After detailed consideration of all the elements of the scheme, staff were awarded an amount equivalent to 7.5% of salary (75% of the maximum under the scheme) and to senior staff and executives an amount equivalent to between 14% and 19.5% of salary (69% and 65% of the maximum under the scheme), inclusive of the additional Paralympics Bonus, with final payments dependent on performance against agreed personal objectives. The award recognised the considerable achievements that had been made in the year, while taking account of the challenges ahead. In deciding on the final level of award, the remuneration committee were mindful of the restraint necessary for a publicly owned body at a time of considerable economic uncertainty.

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Staff working within advertising sales, including Jonathan Allan, Director of Sales, have a dedicated Sales scheme, linked to advertising revenue and paid quarterly throughout the year based on performance. The maximum payable under the scheme in 2012 was 75% of salary and the average payout was £15,000.

In 2012, the remuneration committee determined that pay awards from 1 April 2012, made on the basis of personal performance, should not exceed 2.5% on average for the group. In 2013, the remuneration committee determined that the pay awards from 6 April 2013 should be in line with the 2012 average award and not exceed 2.5% of total salaries for the group.

The remuneration committee has determined that long-term incentive schemes should no longer form part of the package offered to the executive team or any other members of staff.

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### Service contracts

The service contracts of all the executive members are subject to notice periods of one year or less. At the balance sheet date there were no provisions made for compensation payable for early termination of contracts or loss of office to executive members.

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### Taxable benefits

Executive members are eligible for a range of taxable benefits, which include a pension allowance, car allowance and membership of a private medical insurance scheme (which is open to all staff). These benefits are not pensionable. In line with the group's expenses policy, no expenses claimed by executive members were chargeable to UK income tax.

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### Remuneration policy for non-executive members of the Board

Ofcom appoints non-executive Board members for fixed terms and determines their fees. They are entitled to reimbursement of travel and accommodation expenses incurred in connection with attending Board meetings. Service contracts are subject to a maximum of three years or less.

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### Members' remuneration

	Salary and fees £000	Variable pay £000	Benefits £000	2012 Total £000	2011 Total £000
<b>Executive members</b>					
David Abraham	515	100	129	<b>744</b>	701
Anne Bulford (resigned 26 February 2013)	375	73	41	<b>489</b>	456
Jay Hunt	390	116	36	<b>542</b>	487
Jonathan Allan	320	138	24	<b>482</b>	113
Dan Brooke (appointed 1 February 2012)	270	53	25	<b>348</b>	–
Andy Barnes (resigned 31 March 2011)	–	–	–	–	211
Jon Gisby (resigned 30 April 2010)	–	–	–	–	41
<b>Non-executive members</b>					
Lord Burns	100	–	–	<b>100</b>	100
Lord Puttnam (retired 31 January 2012)	2	–	–	<b>2</b>	30
Lord Hall (resigned 25 November 2012)	29	–	–	<b>29</b>	22
Monica Burch	22	–	–	<b>22</b>	22
Alicja Lesniak	22	–	–	<b>22</b>	22
Mark Price	22	–	–	<b>22</b>	22
Richard Rivers	22	–	–	<b>22</b>	22
Paul Potts (appointed 1 January 2012)	22	–	–	<b>22</b>	–
MT Rainey (appointed 1 January 2012)	22	–	–	<b>22</b>	–
Josie Rourke (appointed 1 January 2012)	22	–	–	<b>22</b>	–
Martha Lane Fox (retired 31 January 2012)	2	–	–	<b>2</b>	22
Stephen Hill (resigned 31 December 2011)	–	–	–	–	22
<b>Total</b>	<b>2,157</b>	<b>480</b>	<b>255</b>	<b>2,892</b>	<b>2,293</b>

The remuneration committee awarded David Abraham a 5% increase in salary effective from 1 January 2013. In 2011 he elected to reduce his maximum variable pay-out from 50% to 30% bringing him in line with other executive team members. David Abraham received an allowance of £128,625 in 2012 as part of his benefits package as a contribution to his personal pension plan (2011: £122,500).

Jay Hunt received £35,100 in 2012 as part of her benefits package as a contribution to her personal pension plan (2011: £34,000). Jay Hunt also received a separate bonus of £40,000 in 2012 which is included in her £116,000 variable pay figure. This was to recognise her outstanding contribution during 2012.

Jonathan Allan was appointed in September 2011 so has a full year of remuneration in 2012.

Mark Price does not retain his fees for his non-executive directorship. Mark has requested that his fee be paid over to Waitrose in accordance with Waitrose policy.

## Report on members' remuneration continued

### Pension

Until the closure of the scheme to new entrants, executive members were eligible for membership of the Channel Four Television Staff Pension Plan on the same basis as all other members of staff. The plan is contributory, at 7.5% of pensionable salary, and provides members with a pension based on 1/50th of final pensionable pay for each year of service up to a maximum of two-thirds of final pensionable earnings.

Non-executive members are not eligible for membership of the Channel Four Television Staff Pension Plan. During the year Anne Bulford left the Channel Four Television Staff Pension Plan.

The executive members of the plan during 2012 were as follows:

	Increase in accrued pension entitlement during 2011 £000	Total accrued pension entitlement at 31 December 2012 £000	Transfer value of increase in accrued pension entitlement less members' contributions £000	Transfer value at 1 January 2012 £000	Increase in transfer value less members' contributions £000	Members contributions during 2012 £000	Transfer value at 31 December 2012 £000
Anne Bulford	1	28	7	511	22	4	537

- the total accrued pension entitlement shown is that which would be paid annually on retirement from the age of 60 for benefits accrued up to 5 April 2010 and from the age of 65 for benefits accrued from 6 April 2010 to the date of leaving
- the accrued benefits for all members have been restricted as a result of the impact of HMRC's earnings cap
- all transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11
- the transfer values do not represent sums payable to individual members.

From 1 September 2007 the scheme was closed to new members. The benefits provided to the members of the Channel Four Television Staff Pension Plan (the Plan) are as follows:

- normal retirement age is 65
- there is a spouse's pension of one-half of a scheme member's pension in the event of death in retirement and of one-half of a scheme member's present expected pension in the event of death in service. There is an additional benefit equal to one-half of the benefit payable to the spouse in respect of each child up to the age of 18, or 23 if in full-time education, subject to a maximum of two children
- pensions in the course of payment, in excess of the Guaranteed Minimum Pension, increase at 5% per annum compound, or the increase in the retail prices index if lower
- scheme members who leave after being in the Plan for two years receive a benefit from normal retirement date preserved within the scheme, calculated as above, but relating to pensionable service and pensionable earnings up to the date of leaving
- an early retirement option exists from the age of 55. Any scheme member taking an early retirement option receives a pension at a discounted rate
- there are provisions for a member to exchange part of the retirement pension for cash.

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### Auditable information

The information in the remuneration and pension tables have been audited by Channel 4's auditors, KPMG LLP, in accordance with Schedule 8 of the Companies Act 2006 as if those requirements were to apply to Channel 4.

By Order of the Board

**Lord Burns**  
Chairman  
27 March 2013