

# Members' Remuneration report

## Chair's introduction

During 2023, the Committee has focused on ensuring that fresh challenges presented by the UK economic climate, declines in the advertising market, and the broader cost of living crisis have been fairly and responsibly addressed in remuneration decisions for Channel 4's people.

With these challenges following on swiftly from the period of uncertainty posed by the privatisation debate during 2022, the Committee has focused on ensuring fair and appropriate remuneration which recognises the vital role that staff play in Channel 4's success and supports employee wellbeing and morale.

The Committee's role in ensuring Channel 4 attracts and retains high-calibre people in a competitive market, champions equity and inclusion, and develops talent remains a priority. This is especially important as the channel embarks on its ambitious Fast Forward strategy, announced in early 2024, to support the organisation into the right shape for the 2030s and protect its long-term sustainability.

## Annual statement by the Chair of the Remuneration Committee

This report sets out the activities of the Remuneration Committee for the year ended 31 December 2023. It discloses the remuneration policy and details for all Channel 4 people including the Executive and Non-Executive Members of the Corporation. It has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. Channel 4's status as a statutory corporation without shareholders means these provisions are not all directly applicable, but the Members have decided to comply voluntarily with the provisions to the extent that they are relevant to Channel 4, in line with the Board's commitment to high standards of corporate governance.

The report is set out in three sections: the statement by the Chair of the Remuneration Committee, the annual report on remuneration, and the policy report. The annual report on remuneration provides details on remuneration relating to 2023 and other information required by the Regulations.

The Companies Act 2006 requires the auditor to report on certain parts of the Members' Remuneration Report and to state whether, in its opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the annual report on remuneration that are subject to audit are indicated in the Auditor's Report. The statement by the Chair of the Remuneration Committee and the policy report are not subject to audit.

The Remuneration Committee oversees all aspects of pay for all Channel 4 people including Executive Members, reviewing proposals for the overall annual pay awards and variable pay schemes applicable to all staff, and the details of remuneration packages for the Executive team. The Committee's recommendations and decisions in 2023 reflect its remuneration policy, which is designed to enable Channel 4 to attract, motivate, and retain high-calibre people by offering both fixed and variable pay to reward commercial and creative success, and recognising Channel 4's position as a public service media organisation.

Where Executive Members or senior management are involved in advising or supporting the Remuneration Committee, care is taken to recognise and avoid conflicts of interest. No Executive Members attend meetings of the Remuneration Committee at times when any aspect of their individual remuneration, benefits, or terms of employment are being discussed.

**Composition of the Remuneration Committee**

During 2023, the Remuneration Committee comprised Lord Chris Holmes (Chair), Dawn Airey, Tess Alps, and Sir Roly Keating (until his departure from the Board in September 2023). All the members of the Committee are Independent Non-Executive Members. The Chair of the Board, the Chief Executive, the Director of People, the Chief Operating Officer, and the Corporation Secretary attended meetings by invitation as appropriate.

# Members' Remuneration report cont.

## Responsibilities of the Remuneration Committee

The Committee's principal responsibilities are:

- to recommend to the Board the level of any average annual salary increases and variable pay awards and the structure of remuneration;
- to recommend to the Board the structure of the annual Corporate Variable Pay and Advertising Sales Schemes and to review progress against the targets set for the schemes;
- to review any other aspect of People strategy or performance as appropriate; and
- to review any other significant change in Channel 4's remuneration arrangements and policies.

The Chair of the Remuneration Committee reports to the Board on the Remuneration Committee's discussions and recommendations, and brings to the Board's attention any matters of an unusual or sensitive nature.

## Activities of the Remuneration Committee

The Committee's work in 2023 and 2024 to date included making award recommendations to the Board for the Corporate Variable Pay and Advertising Sales Schemes in respect of 2023, and reviewing the structure and appropriateness of the schemes for 2024:

- The variable pay award for 2023 and the details of the Corporate Variable Pay Scheme are detailed on pages 184 to 185
- In January 2023, taking into consideration the challenges posed to employees by the cost of living crisis, the Committee agreed that a pay award of 2% would be made effective from 1 March 2023 for all Channel 4 people including the Executive Members, who opted to decline this increase. An additional pay award was made to those at Manager level and below bringing this to 4%
- The Committee also considered the appropriate opportunity for 2022 under the Corporate Variable Pay Scheme in January 2023, and recommended setting the award for 2022 at the maximum opportunity as a reflection of a year of strong performance and remit delivery. The Committee approved 2022 variable pay for the Executive Members recognising their performance against key measures during the year
- In February 2023, the Committee made recommendations on the appropriate opportunity for 2022 under the Advertising Sales Scheme and approved targets for 2023
- The Committee also considered the corporate objectives for the year in February 2023, remaining focused on the execution of the Future4 strategy and aimed at tracking delivery against the channel's remit, in addition to key financial and viewing measures. Targets were agreed for 2023 against these objectives to provide focus for the organisation throughout the year and for evaluation in determining 2023 variable pay under the Corporate Variable Pay Scheme

- In June 2023, the Committee reviewed performance under the Advertising Sales Scheme for the year to date, and gave support for an interim payout (with final approval provided in September 2023)
- In June 2023, the Committee received an update on the Corporation's pay gap reporting and progress towards equity and inclusion targets (see summary on page 179)
- In November 2023, the Committee received updates on performance against the corporate objectives and the status of the Corporate Variable Pay Scheme for the year. It considered revised financial projections for 2023 in light of challenging market conditions and actions taken to preserve investment in content and the independent production sector, and reviewed historical trends in payouts made previously
- In January 2024, after a careful and considered evaluation of the continued pressures presented by cost of living increases, the Committee agreed that a pay award of 4% would be made for all Channel 4 people at Management band and below, effective from 1 March 2024, with a lower increase of 2% awarded to leader grades. No pay increase was made for Channel 4's senior leaders or Executive Members
- As outlined on pages 184 to 185, the Committee also made recommendations in January 2024 on the appropriate award for 2023 under the Corporate Variable Pay Scheme, outlined on pages 184 to 185, and made recommendations on the appropriate opportunity in relation to the Executive Members, in recognition of their performance against key measures during the year. The Committee approved the proposed corporate objectives for 2024, which remain aligned with delivering the Future4 strategy to 2025, underpinned by broader metrics around remit delivery and financial performance
- In February 2024, the Committee made recommendations on the appropriate opportunity for 2023 under the Advertising Sales Scheme

The Committee also received regular updates throughout 2023 on employee wellbeing and engagement, recognising the continued pressures of the cost of living crisis, the ongoing adjustment to hybrid working, and development of plans to reshape the organisation during 2024.

## Pay Report 2023

The 'Channel 4 Pay Report 2023' was published in November 2023, based on data as at March 2023, and included ethnically diverse, LGBTQ+, and disability pay data within its scope as a reflection of Channel 4's championing of inclusion and diversity. This reporting was supplementary to the gender pay reporting required by the Equality Act. The 2023 Pay Report demonstrated that the organisation had met all of its targets relating to the composition of its workforce on or ahead of schedule, and outlines the key actions that are being taken to identify and drive further change and ensure that Channel 4 is a fully inclusive organisation. The focus in 2023 included developing more targeted action plans to improve pay gaps in key areas, supporting internal progression at more junior levels, and developing attraction and selection procedures to engage key demographics in a broader range of roles.

### Gender pay gap

<b>Mean</b> 2023	<b>18.2%</b>	19.5% 2022
<b>Median</b> 2023	<b>24.9%</b>	22.4% 2022

In the last year, Channel 4 has improved the balance of its top two pay quartiles (now at an almost 50:50 split between men and women), with the mean gender pay gap decreasing in 2023. However, given the proportion of women in the lower two pay quartiles increasing (and more than twice as many women as men in the lower-earning quartile), the median gender pay gap has increased and remains higher than management's aims. Channel 4 will continue to support the progression of women into more senior roles as this has the most substantial impact on reducing the gender pay gap.

### Gender balance

Channel 4 exceeded its target of a 50:50 gender balance in the top 100 earners by 2023, with the proportion of senior women in the business growing to 53 in March 2023 (March 2022: 49), up from 34 when we first started reporting this metric in 2017.



### LGBTQ+

<b>Mean</b> 2023	<b>20.0%</b>	15.6% 2022
<b>Median</b> 2023	<b>22.8%</b>	17.8% 2022

Channel 4 reported a mean LGBTQ+ pay gap of 20.0% at March 2023, an increase from 15.6% in 2022. Relative to 2022, there has been a significant increase of LGBTQ+ employees in the lower and lower-middle quartiles, which is the primary driver behind these pay gaps.

Channel 4 has had proportionally more LGBTQ+ hires over the past 12 months (14.8%) than it has within the overall organisation (11.8%). These employees are typically a younger age demographic and at the start of their career, which attracts a lower pay level. As LGBTQ+ employees make up a relatively small population of Channel 4's overall employee composition (12%), changes in headcount can have a significant impact on the pay gap.

### Ethnic diversity

<b>Mean</b> 2023	<b>6.7%</b>	9.8% 2022
<b>Median</b> 2023	<b>9.5%</b>	11.0% 2022

The report shows that the mean ethnically diverse pay gap has decreased significantly year-on-year, reducing the gap by around a third and resulting from a meaningful increase in the proportion of ethnically diverse employees in the upper and upper-middle quartiles. The median pay gap has decreased to 9.5% (2022: 11.0%). There are two factors that drive the ethnically diverse pay gap: a lower representation at senior levels and a higher representation at junior levels. Channel 4 achieved its 2023 target to have 20% ethnically diverse employees both across the organisation and in the top 100 paid. It remains a priority to remove any barriers to progression and continue to fully support increasing representation of ethnically diverse people at senior levels, which will help to further reduce our ethnically diverse pay gap.



### Disability

<b>Mean</b> 2023	<b>12.4%</b>	13.8% 2022
<b>Median</b> 2023	<b>11.8%</b>	8.5% 2022

The mean disability pay gap has decreased in 2023, from 13.8% in 2022 to 12.4% in 2023. The median pay gap has increased, from 8.5% in 2022 to 11.8% in 2023. The over-representation of disabled employees in the lower pay quartiles is the primary driver behind these gaps. However, in 2023, Channel 4 saw the distribution of disabled employees become more equitable across all pay quartiles, with an increase in disabled employees in the upper two quartiles.

With disabled employees making up a relatively small population of Channel 4's overall employee composition, changes in headcount can have a significant impact on the pay gap. As at March 2023, 13% of Channel 4 employees have a disability, ahead of the target of 12% disabled staff across the organisation by this year.



# Members' Remuneration report cont.

## Remuneration Report

The following provisions on this page are subject to audit

The remuneration of the Executive Members for the years ending 31 December 2023 and 2022 is made up as follows:

E000	2023						2022							
	Salary	Taxable benefits	Pension	Total fixed	Variable pay	Total for 2023	Salary	Taxable benefits	Pension	Total fixed	Variable pay	Total pre exceptional items	Exceptional items	Total for 2022
Alex Mahon	619	3	124	746	247	993	615	3	123	741	594	1,335	155	1,490
Jonathan Allan	513	1	40	554	128	682	510	1	39	550	308	858	128	986
Ian Katz	432	1	48	481	- <sup>1</sup>	481	429	1	48	478	259	737	108	845
<b>Total</b>	<b>1,564</b>	<b>5</b>	<b>212</b>	<b>1,781</b>	<b>375</b>	<b>2,156</b>	<b>1,554</b>	<b>5</b>	<b>210</b>	<b>1,769</b>	<b>1,161</b>	<b>2,930</b>	<b>391</b>	<b>3,321</b>

1 The Committee recommended an award of 25% of year-end salary under the Corporate Variable Pay Scheme for Ian Katz, representing half of the maximum opportunity of 50% of salary; Ian Katz elected to decline this award at the start of 2024.

The figures in the table above represent the gross pay received by Executive Members in 2023 and 2022, in consideration of salary increases during the year where applicable. This table reflects the final remuneration received, taking into consideration any decision by the Executive Members to decline remuneration recommended by the Committee.

The comparatives stated for 2022 also reflect exceptional items recognised during that year in relation to retention arrangements put in place to attract and retain talent and protect the organisation during a prolonged period of uncertainty related to the Government's proposed intention to privatise Channel 4, ensuring the organisation's ability to deliver its operational commitments. This scheme included the Executive Board Members, following an external benchmarking review, initially recommending a payment of 50% of total gross salary. In early 2023, recognising the macroeconomic turbulence of 2022 continuing into 2023, the Executive Members declined the 50% payment and elected instead for a reduced payment of 25% of total gross salary, in line with the arrangements for the organisation's wider senior leadership team. In May 2023, the Executive Members asked to indefinitely defer their retention payments as part of a wider response to a very difficult advertising marketing in Q2 2023, which was impacting all commercial broadcasters. In July 2023, a retention payment was made to Channel 4 employees in relation to these arrangements. The payment in relation to the Executive Members remained deferred as at 31 December 2023; in early 2024 the Remuneration Committee recommended that this payment should be made in due course, following consideration of signs that declines in the advertising market had started to stabilise in 2024 to date. These exceptional items and the alternative performance measures they relate to are further detailed on page 200.

In 2023 and 2022, all of the Executive Members received pension benefits in the form of cash payments. Taxable benefits are private medical insurance for all Executive Members.

The remuneration of the Non-Executive Members for the years ending 31 December 2023 and 2022 is as follows:

E000	2023 salary and fees	2022 salary and fees
Sir Ian Cheshire (term commenced April 2022)	95	69
Charles Gurassa (term completed January 2022)	-	7
Lord Chris Holmes	36	33
Andrew Miller	25	25
Dawn Airey	22	37
Tess Alps	22	22
Paul Geddes (term completed September 2023)	15	22
Sir Roly Keating (term completed September 2023)	15	22
David Kogan (term completed February 2024)	22	22
Michael Lynton (term commenced April 2022)	22	15
Sarah Sands	22	22
<b>Total</b>	<b>296</b>	<b>296</b>

No detailed disclosure has been provided for the Non-Executive Members other than that relating to their fees, as it is the only form of remuneration they receive.

### Variable pay

During the year, the Committee regularly monitored operational and people performance as part of its oversight of variable pay across the business. The Committee met in January 2024, once results for 2023 were available, to agree on a recommendation to the Board on variable pay.

### Corporate Variable Pay Scheme outline

The Corporation's business model and strategy are set out in the Strategic report on page 119. The Corporate Variable Pay Scheme has been designed specifically to link variable pay with the business model, with specific business objectives set in January 2023, which were used as key performance measures for the scheme for the year.

Achievement of at least the budgeted surplus or deficit before tax for the year and Ofcom licence requirements is a condition for any element of the scheme to pay out to staff. There may be circumstances where additional strategic or content investments are made or accounting adjustments arising from one-off events occur in the year which means the budgeted surplus or deficit before tax is adjusted for the purpose of the Corporate Variable Pay Scheme award, as agreed by the Board. Where this is the case, the surplus or deficit before tax is measured against the adjusted budget so that the financial impact of such items can be considered.

Most Channel 4 people, including the Executive team, participate in the Corporate Variable Pay Scheme, where the amounts provided can be up to 10% of total gross salary for employees, 20% for Heads of Department, and between 20% and 80% for the Executive team. These percentages represent the maximum average amount that can be provided across each employee category. Actual awards for each staff member may vary from the average in certain years to reflect their individual achievement against personal performance objectives. If certain performance conditions are met under the variable scheme, then an additional uplift of 20% may be made to Channel 4 people judged to have achieved outstanding performance.

#### Process for determining variable pay

To decide how much variable pay should be provided each year, the Remuneration Committee reviews business performance using a monthly performance dashboard and report, which tracks performance across a range of qualitative and quantitative metrics. Where relevant, performance versus competitors against the same metrics is also a key part of the Committee's deliberations. The Committee also monitors progress against the corporate objectives set for the year and considers a report written by the Chief Executive in conjunction with others in the Executive team, describing how the Corporation has performed.

The scheme is based on a mix of both qualitative and quantitative information, and a degree of judgement is required around certain creative performance measures. The weighting allocated to each corporate objective in a given year is at the discretion of the Committee.

After due consideration of performance during the year, the Remuneration Committee makes a judgement on the overall performance for the year and proposes an amount, based on what it considers the average pay out across the Corporation should be for the year. The Committee produces an assessment of its evaluation which is then presented to the Board, which has the final approval of any pay out. The Committee will review the Corporate Variable Pay Scheme each year to ensure it remains appropriate.

#### Variable pay decision for 2023

In forming its recommendation on a variable pay award for 2023, the Committee initially reviewed performance against the two key hurdles to the scheme to confirm these had been achieved. It was confirmed that the first performance consideration to the Scheme – meeting the Ofcom licence requirements – had been met, with all requirements met or exceeded in 2023. In assessing the second – the organisation's financial performance, and delivery against its projected financial result for the year – the Committee reflected that while 2023 had always been planned as a deficit year to allow for strategic reinvestment following several years of strong results, eventual performance had been heavily impacted by marked declines in the advertising market. The calculated decision not to offset this shortfall in full via cost options available, in order to preserve investment in content and strategic ambitions to the fullest extent possible, had been noted in the Committee's discussions earlier in the year. As such (in line with the Scheme guidance set out on page 180, and historical precedent) it had been deemed appropriate to revise the hurdle to account for updated forecasts, with the organisation's final results delivered improving on that outlook and demonstrating that the second performance consideration had been exceeded.

With these initial considerations confirmed, the Committee moved onto detailed discussion of the Corporation's performance during 2023, recognising Channel 4's key corporate metrics and other strategic objectives, as well as a reminder of the importance of individual performance during the year.

The key corporate objectives agreed in January 2023 were focused on programme streaming views, share of commercial impacts ('SOCl'), remit delivery, and revenue diversification. Context was provided for the Group's performance against its KPIs and other strategic objectives through consideration of the CEO and Executive team's 2023 end-of-year report, which provides a summary of the creative, commercial, financial, and operational performance outlined throughout this Annual Report. An extract of the performance metrics considered by the Remuneration Committee is set out on page 226.

The Committee considered the Corporation's 2023 position across the range of its Statement of Media Content Policy ('SMCP') metrics (pages 28 to 119) and agreed that the Channel's on-screen output during the year marked another year of creative success and strong remit delivery. Audience response to three key statements used to track remit delivery remained ahead of targets for the year. Creatively, the Committee reflected on the recognition given to the strength of Channel 4's slate with the strongest awards performance ever, including the most BAFTA wins in 22 years. Despite reduced budgets, the Channel's output had continued to spark noise and debate, setting the agenda on current affairs, and driving the strategic pivot to digital despite having to react and repeatedly adjust to a rapidly declining advertising market.

It was also recognised that to ensure continued momentum in the channel's digital transformation, very ambitious streaming targets had been put in place at the start of the year, and that these had been exceeded in the final position for the year, with views of 1.6 billion up 14% year-on-year and total viewing time up 24% versus 2022.

In assessing performance against the organisation's objectives around revenue diversification, it was highlighted that in a very tough year for absolute revenues, the Corporation had nonetheless seen continued progress in reducing its reliance on traditional forms of advertising, a focus that would remain at the heart of the new Fast Forward strategy and underpin the organisation's resilience and long-term sustainability. Digital advertising had accounted for 27% of total revenues (ahead of the planned trajectory to 30% by 2025), with non-advertising revenues already meeting the 2025 target of 10% of total.

It was acknowledged that, while declines in Channel 4's linear SOCl position had always been anticipated for the year (as a reflection of the focus on digital-first), these had been compounded as the financial challenges felt during 2023 translated to unavoidably lower on-screen spend, and while final performance was below targets for the year this was seen as understandable in context.

The Committee agreed that performance against these metrics reflected another successful year of strategic and operational delivery by the organisation and that this should be recognised, given its navigation of extremely challenging economic conditions, and launch of an ambitious five-year strategy to reshape the organisation and accelerate its transformation into a genuinely digital-first public service streamer - unveiled promptly after emerging from the unprecedented challenges of privatisation and political instability. The Committee acknowledged the tensions these challenges presented in coming to a decision around any variable pay award in relation to 2023's performance; it reflected on the delicate balance needed in motivating staff remaining in the organisation to maintain momentum and deliver on the Channel's new strategy, given the proposed restructuring and impact on jobs. However, the Committee agreed on the importance of rewarding strong performance and the team's hard work and commitment during 2023, with the challenges facing the organisation in 2024 subject to separate consideration outside of this decision. The Committee also recognised the historical precedent for pay decisions made in previous downturn years. After careful and detailed consideration, the Committee applied its discretion in proposing a lower award than initially indicated by KPI performance and the scheme criteria for 2023 given the financial context, and recommended setting the award for 2023 at half (50%) of the maximum opportunity under the Corporate Variable Pay Scheme.

# Members' Remuneration report cont.

## Advertising Sales Scheme

People working within advertising sales have a separate Advertising Sales Scheme, linked to advertising revenue and paid biannually based on performance. They are not eligible for the Corporate Variable Pay Scheme.

**The following provisions on this page marked with \* are subject to audit**

## Variable pay awards to Executive Members\*

The Committee made the following awards to Executive Members in respect of their 2023 performance:

- Alex Mahon was awarded an amount of 40% of year-end salary under the Corporate Variable Pay Scheme, representing half of the maximum opportunity of 80% of salary
- Jonathan Allan was awarded an amount of 25% of year-end salary under the Corporate Variable Pay Scheme, representing half of the maximum opportunity of 50% of salary
- The Committee recommended an award of 25% of year-end salary under the Corporate Variable Pay Scheme for Ian Katz, representing half of the maximum opportunity of 50% of salary; Ian Katz elected to decline this award at the start of 2024

## Taxable benefits\*

Executive Members are eligible for a range of taxable benefits, which can include a pension allowance and membership of a private medical insurance scheme (which is provided to all staff). No expenses claimed by Executive Members were chargeable to UK income tax as they were incurred wholly for the purposes of the business of the Corporation.

## Pension\*

The Corporation has two pension schemes: a defined contribution scheme open to all staff, and a defined benefit scheme which is closed to new entrants and closed to future accrual from 31 December 2015. Further details relating to the defined benefit plan are provided in note 19 to the financial statements.

All of the Executive Members received cash payments in lieu of pension benefits in 2023.

Non-Executive Members are not eligible for membership of either pension scheme.

## CEO remuneration table

The table below shows the percentage change in remuneration of the Members and the Corporation's employees between the years 2022 and 2023. Base salary, which is reviewed annually, considers personal contribution and size of role. The Remuneration Committee determines that Executive Directors' higher ratio of variable to fixed pay provides a strong link between pay and performance and that this structure has worked effectively throughout challenging and uncertain periods across recent years. This table is stated both including and excluding exceptional remuneration as part of the 2022 baseline, to ensure clear year-on-year comparison.

	Salary and fees	Variable pay	Total pre exceptional items	Total
Chief Executive Officer	1%	-58%	-26%	-33%
Chief Operating Officer	1%	-58%	-21%	-31%
Chief Content Officer <sup>1</sup>	1%	-100%	-35%	-43%
Non-Executive Directors <sup>2</sup>	-	N/A	-	-
<b>All staff<sup>3</sup></b>	<b>1%<sup>4</sup></b>	<b>-39%</b>	<b>-3%</b>	<b>-17%</b>

1 As noted under 'Variable pay awards to Executive Members', an award for 2023 under the Corporate Variable Pay Scheme for Ian Katz was recommended but declined at the start of 2024.

2 Based on fees set by Ofcom on page 180.

3 All staff is based on average remuneration per full-time equivalent. This includes the CEO but excludes the costs of a small number of on-screen talent who are remunerated via Channel 4's payroll. This is consistent with the information in note 4 to the financial statements.

4 Staff in post throughout 2023 received an average pay rise of 3% during the year as a result of the pay award made in March 2023. This increase was offset by higher recruitment activity in more junior roles during 2023.

This disclosure is presented against a baseline of total remuneration before exceptional items for 2022 as outlined on page 184, to facilitate clearer year-on-year comparison.

The Group is not presenting a table on CEO pay in comparison to Total Shareholder Return as it is a statutory corporation without shareholders and the requirements are therefore not applicable.

The ratio of remuneration for the highest paid Executive Member (the CEO) in comparison with employees in the 25th, 50th and 75th percentiles is shown in note 4 to the financial statements on page 205.

## Payment for loss of office\*

No payments were made for loss of office in 2023 to Executive Members, and 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.

## Payment to past Members\*

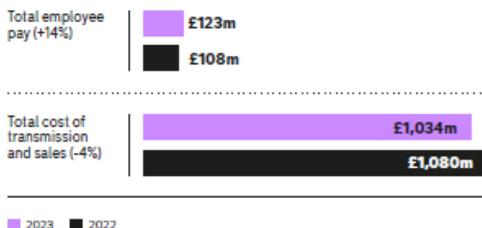
No payments to past Members were made in 2023.

## Members' service contracts

Members' service contracts are kept available for inspection at the Corporation's Head Office, 124 Horseferry Road, London SW1P 2TX.

#### Relative importance of spend on pay

The graph below shows the actual expenditure of the Group and the change between the current and previous years.



The Members have chosen the change in total cost of transmission and sales as disclosed on the face of the income statement as the comparative measure for relative spend on pay as it is considered to be the most significant indicator in understanding total Corporation expenditure year-on-year in light of its Future4 (and new Fast Forward) strategy. Employee pay was approximately 12% (2022: 10% before exceptional items) of total cost of transmission and sales, with the increase in this metric driven by increased headcount across the organisation versus cost-saving measures implemented elsewhere in the organisation.

Total employee pay is detailed in note 4 to the financial statements.

This report was approved by the Board on 7 May 2024 and signed on its behalf by

**Lord Chris Holmes**

Chair of the Remuneration Committee  
7 May 2024

# Members' Remuneration report cont.

## Remuneration policy for 2023

The remuneration of Executive Members is determined by the Remuneration Committee, the membership, and terms of reference of which are detailed on pages 176 to 178. In framing its remuneration policy, the Committee has given full consideration to the best practice provisions of the UK Corporate Governance Code. There have been no significant changes to the remuneration policy for 2024 except as noted below.

## Future policy table

The following table sets out the key components of the remuneration package for Executive Members:

Component	How this supports the strategic aims of the Group	How this operates	Maximum amount payable	Performance measures
Salary	Offering competitive remuneration packages helps the Corporation attract, motivate, and retain a high-calibre Executive team.	Salaries are paid monthly. The Remuneration Committee discusses the performance of each Member with the Chair of the Board and with the Chief Executive for other Executive Members.	Salaries are usually reviewed annually in the first quarter of the year; annual salaries for the year to 31 December 2024 are approved as follows. In line with the recommendation for other senior leaders within the organisation, the Committee did not recommend a salary award for 2024 in relation to the Executive Members. This marks the second annual review in succession where no salary increase has been applied for the Executive Members, having elected to decline a recommended 2% increase from 1 March 2023. <ul style="list-style-type: none"> <li>- Alex Mahon – no increase with effect from 1 March 2024; salary remains at £618,724</li> <li>- Ian Katz – no increase with effect from 1 March 2024; salary remains at £432,172</li> <li>- Jonathan Allan – no increase with effect from 1 March 2024; salary remains at £513,022</li> </ul>	None.
Taxable benefits		The Corporation offers a range of benefits to all staff, including private medical insurance. Other benefits, such as life assurance, are available through a flexible benefits scheme.	The value of private medical insurance in 2023 is expected to range from £1,000 to £3,000 for Executive Members.	None.
Pensions		The Corporation currently offers a defined contribution pension scheme for new staff. The Executive Members receive cash payments in lieu of pension benefits.	All of the Executive Members receive cash payments in lieu of pension benefits and are not members of the defined contribution or previous defined benefit schemes.	None.
Variable pay		All of the Executive team participate in the Corporate Variable Pay Scheme. Payout is determined annually by the Remuneration Committee shortly after the financial year end based on performance and paid in March following the year end.	The Corporate Variable Pay Scheme will pay between 50% and 80% of total gross salary for the Executive Members. The Scheme allows for an award of up to 120% of this opportunity in instances of exceptional performance.	Performance measures of the schemes are set out on pages 180 to 182

None of the components of remuneration contain any provisions for recovery of sums paid.

There are no other differences between the Corporation's policy on the remuneration of Executive Members and the policy on the remuneration of other employees.

The following table sets out the key components of the remuneration package for Non-Executive Members:

Component	Purpose	Operation
Fees	The Non-Executive Members constructively challenge and help develop proposals on strategy, and bring strong, independent judgement, knowledge, and experience to the Board's deliberations.	Fees are set by Ofcom, paid monthly and reviewed periodically. Annual fees for the year to 31 December 2024 are expected to be: Chair – £95,000 Deputy Chair – £29,940 <sup>1</sup> Committee Chairs – £25,177 Other Non-Executive Members – £22,177

<sup>1</sup> Reflects the standard Deputy Chair fees set by Ofcom – the Deputy Chair also receives an additional fee to reflect his capacity as Committee Chair.

Non-Executive Members are appointed by Ofcom and service contracts are subject to fixed terms of a maximum of three years. Fees for Non-Executive Members do not contain any provisions for recovery of sums paid. No other components of remuneration are available for Non-Executive Members. Non-Executive Members are entitled to reimbursement of travel and accommodation expenses incurred in connection with attending Board and other meetings in relation to fulfilling their duties.

## Remuneration policy framework

The Corporation looks to attract, retain and motivate the best people in the market. To be able to do this, it looks to offer a fair and competitive rewards package. The Committee will seek to align the remuneration package offered to new Executive Members with the policy, which will involve determining remuneration appropriate and necessary to recruit and retain the individual. A summary of the policy is set out below:

Fixed remuneration	Base salary is benchmarked against the external market and broadly aligned to market median.
Variable remuneration	Awards under the Corporate Variable Pay Scheme are limited to 80% of base salary for the Chief Executive and 50% of base salary for the other Executive Members.
Benefits	Executive Members are provided with private medical insurance, life assurance, Group income protection, and health screening. All other benefits are provided on a voluntary basis. The Corporation has a standard pension contribution scale but will consider paying a cash alternative depending on individual circumstances. The Corporation will pay limited legal fees incurred by any new Executive Member in respect of their appointment.
Internal promotions	In the event that an internal candidate was promoted to the Board, legacy terms and conditions would normally be honoured, including pension entitlements.

The Committee monitors the effectiveness of Executive Member remuneration and has regard to the impact and compatibility with remuneration policies in the wider workforce. During the year, the Committee is provided with information regarding pay in the wider workforce which gives additional context for the Committee to make informed decisions. The Committee determines the overall approach for salary and variable pay for the overall workforce and similar principles are applied when considering Executive Member arrangements.

## Policy on payment for loss of office

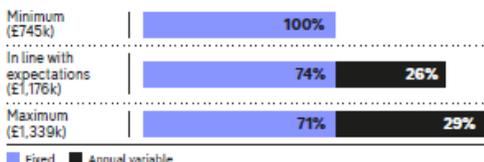
The service contracts of all the Executive Members are subject to notice periods of one year or less. The Committee's policy is to make payments in line with contractual obligations covering payment in lieu of notice including base salary and other benefits.

The Remuneration Committee will consider what compensation commitments (including pension contributions and all other elements) the Executive Members' terms of appointment would entail in the event of early termination. The aim of this is to avoid rewarding poor performance.

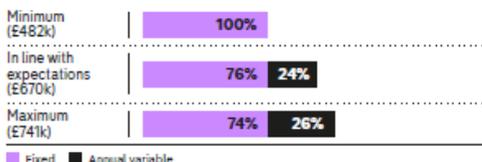
## Illustration of application of remuneration policy

The graphs below represent the variations in the remuneration at different levels of performance for the 2024 remuneration policy for the Executive Members.

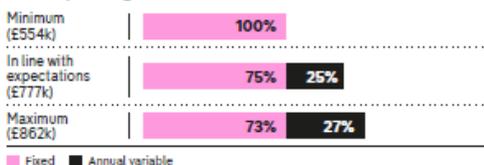
### Chief Executive Officer



### Chief Content Officer



### Chief Operating Officer



The variable element of total remuneration in relation to 'in line with expectations' reflects the average award under the Corporate Variable Pay Scheme over the last five years. The variable element shown as 'maximum' above includes assumptions around awards made in instances of outstanding performance in line with the Corporate Variable Pay Scheme rules.

## Audited information

The Members' Remuneration Report (pages 176 to 185), where indicated, has been audited by the Corporation's auditor in accordance with Schedule 8 of the Companies Act 2006 as if those requirements were to apply to the Corporation.