



St Andrew's Healthcare Executive remuneration policy

Application of policy

This remuneration policy will apply to the Chief Executive Officer, Executive Directors of the Board and other members of the Executive Team, including the company secretary (together the "Executives"). Where appropriate, the Remuneration Committee ("the Committee") may apply the principles set out in this policy to any other employees subject to the Committee's terms of reference.

Background and philosophy

As one of the largest mental health charities in the UK, St Andrew's ("the charity") has set a strategy and agenda for change that will not only improve the lives of the patients currently at St Andrew's, but will impact the development of treatment and care of patients with mental illness internationally.

In order to achieve that ambition, it is imperative that the charity can attract and retain individuals with an appropriate range of skills and experience that will support the delivery of the strategy and the ambitious goals that have been set.

As a trading charity, St Andrew's earns its income directly based on the care that we provide, rather than relying on donations. The charity looks to recruit individuals who can bring strong commercial skills to support its financial success, to enable St Andrew's to continue to invest in and expand its services.

The remuneration policy is designed to provide a reward framework which allows the charity to offer an appropriate and competitive rate of pay, without providing for excessive levels of reward.

Market positioning

The Committee uses market data to define an external market benchmark, which forms one reference point taken into account when considering an appropriate rate of pay for a given role. The external comparators for this purpose are chosen to reflect the sector in which the charity operates, but also the commercial challenges of the business when compared to other charities. Pay data for the NHS, private healthcare companies, trading charities, and similar-sized private sector companies are variously taken into account as relevant for each role.

Broadly, for base salary, the charity aims to pay at the upper quartile for similarly sized charities and the NHS, and at the median of healthcare and other private sector companies of similar size and complexity.

Variable pay opportunity is set taking into account variable pay offered at the charity's various competitors in the healthcare and private sectors, typically at a level below that of the private sector. It is not intended that variable pay will form a large portion of an Executive's pay package, but bonuses serve to provide additional recognition for strong performance and a link to the success of the charity.

Total pay is targeted below levels within healthcare and other private sector companies of a similar size, but above levels paid at similar-sized charities and the NHS. The Committee believes that this is an appropriate positioning given the commercial nature of the business, as well as its status as a registered charity. As a general principle, remuneration should be set no higher than is necessary to recruit, retain, and support the charity's aims and objectives.

Elements of remuneration

Purpose and link to strategy	Operation and performance measurement	Maximum opportunity
Base salary		
Provides a fair base level of reward and ensures we can attract and retain Executives of the right calibre to lead the charity.	<p>Paid monthly and in cash. Base salaries are determined based on the individual's experience, responsibilities, and performance in the role, and with reference to appropriate market data for the role in question.</p> <p>The Committee will take into account the percentage increase budget for the wider workforce when considering any increase to Executive salaries.</p>	<p>There is no maximum salary payable for any particular role, to ensure that the Committee is able to recruit the right people for the charity.</p> <p>However, salaries will not be excessive when considering: pay conditions throughout the charity; pay relativities with other Executives; external market data and St Andrew's position as a registered charity.</p> <p>Executives will normally receive salary increases no higher than the average percentage level offered to the workforce as a whole. However, the Committee</p>

may offer a higher rate of increase for example where there has been a material change in responsibilities, or where a particular individual has fallen significantly below the relevant market rate for his or her role. A lower increase may be awarded to Executives to reflect their individual performance, if they are currently above the relevant market rate, or for reasons of affordability.

Pension

<p>Provided as part of a competitive remuneration package and to encourage employees to save for retirement.</p>	<p>Executives may participate in the charity's pension arrangements, or receive an equivalent cash allowance. Cash allowances are paid monthly but separately from base salary payments.</p>	<p>For all new appointments, pension contributions or cash allowances in lieu are capped at 12.5% of base salary.</p> <p>Under legacy arrangements, Executives may receive allowances up to 16% of salary.</p>
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Benefits

<p>Provided as part of a competitive remuneration package.</p>	<p>Executives are eligible to receive any other benefits available to employees generally. Additional benefits, including health screening and PHI, are provided to Executives. The charity may provide any other reasonable benefits to Executives as appropriate.</p> <p>Depending on an Executive's individual circumstances, if they are required to relocate the Committee may authorise a temporary relocation package or provide an accommodation allowance.</p> <p>In addition, the Company may reimburse directors for any reasonable business expenses (and any taxes due thereon, if applicable) incurred in performance of their duties.</p>	<p>Although there is no maximum value assigned to the benefits package, the Committee will take into account: the total cost to the charity of providing these benefits; external market practice in terms of which benefits are typical for the role in question; and the individual's personal circumstances.</p>
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Annual bonus

<p>Recognises strong performance, and provides alignment with the charity's success and its strategic aims through specific, predetermined annual goals.</p>	<p>Executives are eligible for annual bonuses each year in addition to their fixed pay.</p> <p>Bonus payments are subject to performance measures, both financial and non-financial, set each year by the Committee. Where possible, quantitative targets will be used, which will typically be set with reference to the charity's budget or forecast for the year, with an on-target bonus payable for achievement in line with the budget. Bonuses are only payable where a threshold level of</p>	<p>Executives are eligible for a maximum annual bonus award of 50% of base salary (60% for the CEO).</p> <p>40% of the maximum bonus is payable for on-target performance.</p>
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earnings is achieved, and a satisfactory level of quality of care has been delivered during the year.

Weightings and targets are determined annually by the Committee to reflect the charity's objectives for the year.

All bonus awards are non-contractual and are subject to the discretion of the Remuneration Committee. The Committee may recover previous bonus payments if, within three years of their payment, a material misstatement of results or performance, an error in calculation of bonus results, or serious misconduct is discovered.

Long-term incentives

Provides alignment with the charity's long-term goals. Supports retention of key employees.

Executives are not currently eligible for any form of long-term incentive. However, the Committee has the discretion to adopt a long-term incentive plan under specific circumstances, where it would be in support of the charity's longer-term strategy or achievement of specific goals.

Were the charity to introduce any form of long-term incentive, the maximum award payable to Executives would be 50% of base salary per annum.

Payment would be linked to well-defined performance conditions or specific strategic goals, measured over a longer period of 3-5 years.

Approach to recruitment remuneration

The remuneration packages for new Executives will be determined in line with this policy, taking into account the individual's level of skill and experience, as well as the market rate for the role in question. The Committee may decide to pay below the market benchmark, providing additional salary increases as the individual develops in the role. Maximum variable pay opportunity will be capped in line with the limits set out in this policy.

Exceptionally, in the event that an external appointee forfeits unvested incentive awards granted during their previous employment, the Committee may choose to offer further payments to 'buy out' these existing entitlements, which would normally vest on the same timetable as those awards forfeited, and where appropriate, subject to performance conditions. The Committee will only offer these buyout awards where doing so is in the best interest of the charity.

In line with the policy, it may be necessary to offer relocation expenses and accommodation allowances to new appointments who are required to relocate.

Service contracts and severance pay

The maximum notice period in any Executive's contract is six months from either party. Generally, leavers will be expected to work during their notice period. However, the charity may opt to make payments in lieu of notice ("PILONs") comprising base salary only, paid on a monthly basis or as defined by the Executive's contract. These payments may be further subject to mitigation, whereby payments are reduced by the amount received should an Executive take up employment or consultation elsewhere during the PILON period.

Executives must normally be in the charity's employment and must not be serving during their notice period up to and including the payment date in order to receive a payment under any variable pay scheme, except where cessation of employment is by reason of injury or disability, retirement with the agreement of the charity, or such other exceptional circumstances at the discretion of the Committee. In such exceptional circumstances, any payment made will typically be pro-rated according to completed calendar months' service in the scheme, as well as performance against the relevant targets, unless another basis for participation is deemed appropriate by the Committee.

Under normal circumstances, no additional contractual severance payments are payable. Any case where they may be made must be approved by the Committee in advance of any agreement by the charity.

External appointments

Subject to the approval of the Board in each individual case, Executives are permitted to hold one (up to two in exceptional circumstances) external, non-executive Board appointment. In considering each case, the Board will take account of the nature of the appointment, and whether the experience will further develop the knowledge and skills of the Executive, to the benefit of St Andrew's. The Board will also need to be satisfied that the time commitment involved will not present a material conflict with the performance of the Executive's duties at St Andrew's.

The executive will be permitted to retain any fees earned in respect of the approved external appointment (except where an executive is representing St Andrew's, or the appointment is in connection with the performance of the Executive's duties with St Andrew's, such as an appointment to a subsidiary board of St Andrews or a national body on which St Andrew's is represented).

Exceptions to the policy

In special circumstances, the Committee may determine that it is necessary to deviate from this policy, for example in order to provide additional variable remuneration in the case of exceptional performance. In such a case, the Chairman of the Committee may be called upon to explain the reason for the exception to the other Non-Executive Directors, Governor Members and/or appropriate regulators if required.

Employment conditions elsewhere in the Charity

The Committee is sensitive to remuneration arrangements across the charity and takes account of this when considering how the policy is structured and operated.

When considering any changes to this policy, any potential increases to Executives' salaries, and any payouts under the variable pay schemes, pay conditions for the wider workforce are taken into account.

The Committee may also take into account the ratio of Executives' pay to that of the average employee when considering pay matters, as well as how this ratio changes over time and how it compares to ratios at other relevant organisations.

Diversity and equal opportunities

In order to ensure fairness and avoid any bias, the Committee will consider the charity's diversity and inclusion policy when making any decisions relating to Executive pay.

Reporting requirements

This policy will be made available on the charity's website. In addition, as set out in the Committee's terms of reference, the Committee will prepare a formal report for inclusion in the Trustees' Annual Report, which will comprise an annual statement explaining the charity's ethos and policy on remuneration.

Policy review

This policy shall be reviewed on a triennial basis by the Committee, to ensure that it remains appropriate for the charity going forward. Between formal reviews, the Committee shall take into account developments in regulations and market practice and their impact on how the policy is operated.

Stuart Richmond-Watson
Chair, Remuneration Committee
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