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Secretary of State

Department for Business, Energy and Industrial Strategy
House of Commons
London
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30th September 2021

Dear Secretary of State

I am writing following our ongoing conversations on the topic of an approach to reward and retention arrangements for Nick Read, Chief Executive Officer of Post Office Limited. As you know, I believe that we need to address this in a timely fashion to avoid disruption to the leadership of Post Office Limited. This letter provides a reminder of the context together with a proposal for your consideration. I hope this will enable us to move to an agreed way forward.

As you know, Nick Read joined Post Office Limited in September 2019. Since then, he has led the business through very challenging times, under significant media scrutiny. He has ensured that Post Office Limited continues to provide vital services to the community and, notwithstanding the increased complexities of operating during the pandemic, Post Office Limited ended the last financial year profitable.

This year he is leading the transformation of the business from a technology, product, service and colleague perspective, with an unwavering focus on the importance of the Postmaster. Under his leadership, Post Office now has a clearly articulated strategic intent to be the operator of a successful, sustainable, and sought-after franchise and an organisation that colleagues feel proud to work for.

Nick has set challenging targets for Post Office and his continued leadership is vital to inspire our colleagues and Post Masters to achieve those targets. Critically, we also need him to continue to be the face of Post Office Limited as the Inquiry progresses.

Against this backdrop, it is vital that we ensure that Nick is fairly rewarded and recognised for his short and long-term contribution.

Base Pay Positioning

Nick's current base salary is £415,000. He has not received an adjustment since joining us in 2019. Each year, we ask our Remuneration Committee Advisors to carry out benchmarking of our GE positions so that we understand the competitive positioning of these roles. The benchmarking is against a set of comparators which have been previously agreed with BEIS. The comparator group is weighted as follows:

- 40% Mails and Retail
- 40% Social Purpose
- 20% Challenger Banks and Mutuals

We have just received the results of this year's exercise, carried out by our new Remuneration Advisors, Willis Towers Watson, in line with the agreed methodology.

The results for the CEO position are shown below, with the market ratios shown in brackets for each position:

	NR package	Lower Quartile	Mid-Market	Upper Quartile
Base Pay	£415,000	£465,000 (89%)	£545,000 (76%)	£625,000 (66%)
Target Annual Bonus	30%	50%	65%	85%
Target Total Annual Pay	£539,500	£740,000 (73%)	£900,000 (60%)	£1,090,000 (49%)
LTI expected value	30%	60%	75%	85%
Target Total Direct Compensation	£664,000	£1,065,000 (62%)	£1,310,000 (51%)	£1,550,000 (43%)

Nick's competitive position at Total compensation is substantially behind what he could secure in the outside market. This is potentially a cautious view, in any case, since he would have access to the whole market, not just to these sectors.

Retention Risk

We remain concerned there is a pressing and immediate retention risk. Nick has indicated that he is receiving approaches from other organisations, and we believe that we need to take pre-emptive action to prevent these approaches becoming a serious threat to retention.

This would be far more preferable to us than having to make a counter offer of

improved remuneration in the event that he receives a concrete offer from elsewhere.

It is in this context, that **I would like to remind you of the competitive market for talent such as Nick given the breadth and depth of his knowledge and experience in the Retail market.** Whilst we are not suggesting a base pay adjustment to Nick's package, given the political sensitivities surrounding executive pay, it is important to recognise that we do not operate in a vacuum, and that **there is an increasingly active external market for high quality talent such as Nick.**

Suggested Approach

We propose that we deliver retention in three areas to address the medium and longer term demands that we are placing on Nick Read:

1. Enhance the potential reward under the Transformation Incentive (TI) by a third - focusing on the key medium term target of a cultural reset.
2. Enhance the potential reward under the 2021/22 STIP by a third to align with the inquiry timetable
3. Enhance the potential reward under the 2021/24 LTIP by 50% to reinforce retention to at least 2025

Since joining the Post Office Nick Read has received only £32,000 in variable pay.

In summary

I look forward to receiving your response to these proposals and hope that we can reach an agreement on an approach which will ensure that will retain Nick Read in the business through this critical stage.

Bar. Parker,



Tim Parker
Chairman
Post Office Limited

This table highlights the impact on the TIS, STIP and LTIP.

CEO	Period	Salary	Measurement	Payout Date	Full Entitlement - OTE	Full Entitlement - OTE	Full Entitlement - Stretch	Full Entitlement - Stretch
Transformation Incentive Scheme	1/4/20 – 31/3/21	£415,000	Jan-22	Mar-22	30% of salary	£124,500	45% of salary	£186,750
CEO Exceptional TI Scheme Incentive	1/4/20 – 31/3/21	£415,000	Jan 22	Mar-22	10% of salary	£41,500	15% of salary	£62,250
STIP 2021-22	1/4/21 – 31/3/22	£415,000	May-22	Aug-22	30% of salary	£124,500	45% of salary	£186,750
CEO Exceptional STIP 2021-22 Incentive	1/4/21 – 31/3/22	£415,000	May-22	Aug-22	10% of salary	£41,500	15% of salary	£62,250
LTIP 2021-24	1/4/21 – 31/3/24	£415,000	May-24	Aug-24	30% of salary	£124,500	43% of salary	£178,450
CEO Exceptional LTIP 2021-24	1/4/21 – 31/3/24	£415,000	May-24	Aug-24	15% of salary	£62,250	21.5% of salary	£89,225