



POST OFFICE LIMITED REMUNERATION COMMITTEE MEETING
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**MINUTES OF AN ADDITIONAL MEETING OF THE REMUNERATION COMMITTEE OF POST OFFICE LIMITED
HELD ON TUESDAY 25 JANUARY 2022 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 11:00 AM¹**

Present:

Lisa Harrington	Chair (LH)
Tim Parker	Chairman, Post Office Limited (TP)
Tom Cooper	Non-Executive Director (TC)
Ben Tidswell	Non-Executive Director (BT)

In attendance:

Veronica Branton	Company Secretary (VB)
Angela Williams	Interim Group Chief People Officer (AW)
Nick Read	Group Chief Executive Officer (NR)
Paul Wood	Group Reward & Pensions Director (PW)
Paul Townsend	Advisor to Remuneration Committee, Willis Towers Watson
Hannah Summers	Willis Towers Watson (HS)

Apologies: N/A

Action

1. Welcome and Conflicts of Interest²

A quorum being present, the Chair opened the meeting. The Directors declared that they had no conflicts of interest in the matters to be considered at the meeting in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.

Lisa Harrington welcomed Ben Tidswell to his first Post Office Remuneration Committee meeting.

The Terms of Reference for the Remuneration Committee had been included in the Diligent pack and set out its primary focus on the Remuneration framework and on senior remuneration. LH noted that it would be helpful for the ToRs to be simplified. Paul Townsend confirmed that the responsibilities included in the ToR were fairly typical, including the approval of incentive outcomes but it was less usual to see a Remuneration Committee's involvement in performance outcomes. Angela Williams said that we would seek to clarify the role of executive and the Committee more in the ToR.

Action: VB/ AW

2. Reward structure – final approvals for new GE members

The Remuneration Committee **NOTED** the reward package for Martin Roberts who had accepted the role of Group Chief Retail Officer, with a start date of 14th February 2022 and with a package in line with that pre-agreed by the Remuneration Committee on 30th November 2021.

Angela Williams reported that we had started the process for the Mails recruitment and had done a detailed market mapping exercise. Tom Cooper noted that Ken McCall had referenced the scope for this postholder to support succession planning in the organisation and asked whether this was being factored in. Nick Read noted that this role would assist with succession for the Chief Commercial Officer but not for the CEO. NR added that it was difficult to find a diverse range of candidates in the Mails industry.

¹ Participation in the meeting was entirely via Microsoft Teams from participants' personal addresses. In such circumstances the Company's Articles of Association (Article 64) require that the location of the meeting be deemed as the chair's location. However, it was not deemed appropriate to record personal addresses on the Company record. As such, the Registered Office is recorded as the meeting location.

² This meeting was an addition to the scheduled meetings so standard items such as minutes and matters arising have been carried over to the next scheduled meeting of the Committee on 22nd February 2022.



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Lisa Harrington asked whether we had taken the opportunity to draw on Brian Gaunt's network. NR confirmed that this had not happened yet but it was a helpful suggestion. TC added that it would be helpful to see who was available amongst more senior people. AW explained that the Mails role was a step up from the current head role in the Mails Team.

TC asked whether reporting lines could be an issue and LH suggest that this could be reviewed at the at the time if required. NR agreed that this could be done and Tim Parker added that we should do what was necessary to attract a good person, which included competitive remuneration and offering a meaningful role.

3. 2021 - 24 Long Term Incentive Metrics

Angela Williams introduced the paper. The Remuneration Committee had already approved a number of metrics for the 2021 – 24 LTIP. We were now proposing an approach to the colleague promise and also wanted to discuss the approach to customer. The paper also noted that many of the LTIP metrics were dependent on funding and if we did not have this, we might need to ask the Remuneration Committee to reconsider the metrics.

A number of points were raised and addressed, including:

- Lisa Harrington asked Ben Tidswell for his comments as a new member of the Committee. BT thought that the colleague approach seemed sensible. He would be interested to see the customer metrics included in the Board pack. It might be possible to have an interim position where we measured some metrics before we could get to a full NPS position and thus avoided a vacuum where customer satisfaction was not measured at all. TC thought we should either include customer metrics now or take them out. LH was supportive of the colleague approach but shared BT's view of the customer metrics and the information included on customer feedback in the Board pack might serve as an interim measure on customer
- Tom Cooper referred to employee engagement and the Occupational Health Check (OHC) work carried out by McKinsey in 2019; the most striking feedback from this was whether individuals understood their job and whether they felt accountable. TC asked whether we could include these points explicitly in the survey we ran. AW said that these areas would be picked up but would not be re-running the OHC
- Nick Read noted that the LTIP had to be easily understood and communicated. The construct was complicated and we needed to consider the deliverables we were seeking to drive. SPM, the Inquiry and compensation were the key elements for the next two years and funding would not allow us to invest in the business as we wanted to so we needed to apply some realism. LH thought this might be conflating two things. We might well need to simplify the structure of the LTIP but not the areas we were measuring against and the weighting that was given to these. There were some possible customer measures but LH agreed that we should keep these simple. BT had sympathy with the need to simplify but we needed to get the balance right between addressing the Public Inquiry etc. and the focus needed on running the business today. NR explained that he did not think that we had the capacity to deliver an NPS now. We could include some customer measures but wondered whether this would drive the behaviour we wanted or only satisfy the needs of an incentive scheme. We wanted to include more metrics in the 2022 – 25 LTIP on the commercial drivers for the business. LH requested that a final proposal be circulated by email as she still thought that customer measures were critical for the 2021 – 24 LTIP.

Action: AW



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AW reported that we would be coming back to the Remuneration Committee with a proposed construct for 2022 – 25 LTIP in February 2022, but also looking at the 2021 – 2024 LTIP in place and how this may be impacted by the funding constraints. As we were a year into the current LTIP the impact of funding might need to be considered and potentially some targets changed, however, this proposal could not be developed until the Comprehensive Spending Review (CSR) had been confirmed.

In respect of the 2021 – 24 LTIP, the Committee:

- **APPROVED** the proposed metric for the Colleague Promise, which was to include an overall Engagement score for which we would set a baseline in Q2 2022/23 using an external provider to run a survey. Colleagues' understanding of their role and sense of accountability will be covered within the survey questions

The survey was targeted for June 2022 and would allow Post Office to benchmark its results against other UK companies. Engagement was seen as employees' willingness to act as ambassadors for Post Office, giving their best to support organisation success and being clear on their role in delivering the strategic objectives

- **DISCUSSED** the proposed approach to metrics for the Customer Promise, with a follow-up action to propose an interim approach in advance of it being possible to introduce an NPS, whereby some existing customer satisfaction measures served as the customer metric for the 2021 – 24 LTIP

- **NOTED** the risks to plan effectiveness associated with achievement of the incentive metrics linked to the potential outcome of the Comprehensive Spending Review (CSR); and,

- **APPROVED** the proposed mitigation of reviewing the 2021 – 24 LTIP metrics should the funding required to deliver the strategy not be forthcoming.

4. Transformation Incentive Scheme (TIS) Snapshot Update

Angela Williams introduced the paper and noted that the target pay out was 25% for all Scheme participants, which had been reflected for the paper kept as the record. An update on current performance against the Scheme metrics was provided to socialise these before the discussion at the February Remuneration Committee meeting when the Committee's approval would be sought to make payments in March 2022.

The February Remuneration Committee paper would include recommendations for the potential use of an additional 5% funding for those with "exceeds expectations" or "exceptional" performance ratings.

AW provided clarification on the SPM Drop & Collect numbers. The metric was to have a plan in place for the rollout of 400 Drop & Collect live branches. However, the first phase of this plan was that 25 of these branches would be live by the end of January 2022. Nick Read explained the position with the 400 Drop & Collect branches. There had been a level of discontent communicated through responses to the MDA2 consultation about the potential for "cannibalisation" with the introduction of a new branch format; this had led us to deliberately scale back the earlier phases of the plan and this would be covered in more detail in the February Remuneration Committee discussion.

Lisa Harrington noted that it would be good to have a standard approach on LTIP reward percentages. AW explained that there was a differentiation between the GE and the SLP target percentages but agreed the TIS Scheme was an anomaly. It was proposed that these market levels should remain differentiated. LH understood this and the point was to do with not making changes in pay out levels between different Schemes (i.e. TIS versus STIP)



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rather than there being a different figure for the GE and the SLP.

LH noted that it was positive to see a number of green ratings as well as some amber ratings.

Tom Cooper asked how we would evidence that we were meeting the requirements of the Public Inquiry. Nick Read said that we would provide the positive feedback we had received from the Inquiry Team on the disclosures we had made. AW added that the POL team could evidence that the disclosure requests had been met and the timings of these. Ben Tidswell noted that the appendix to the Inquiry paper in the Board pack provided some helpful detail about our interactions with the Inquiry Team.

The Committee **NOTED** current progress against the metrics in the Transformation Incentive scheme (TI scheme) and the proposed process for assessing the final outturn in February 2022 to enable payment in March 2022.

5. ESG update

Angela Williams reported that we had been following up on how we could factor in the market focus on ESG to executive performance. We had looked at the regulations and market practice in this area. Many objectives were very long term. We had been looking at how we could build in ESG elements we were already working on rather than creating something entirely new as an additional metric. There was less that Post Office could do on the environmental side but we are investigating what is possible to include.

Lisa Harrington asked Paul Townsend about best practice in ESG. PT said that it was possible to align yourself with the “S” or the “G” rather than the “E”. This was about having metrics that were relevant to POL and that could be measured while being cognisant of the direction of the market. PT added that there was a market expectation that ESG would feature in incentive metrics, especially for the longer-term metrics. The investor and market perspective was described, noting that becoming CO2 neutral had become many firms’ metric.

LH requested that when PT came back to the Committee with an overview of ESG in the market that he focussed on the “S” and the “G”.

Action: PT,
when next
updating the
Committee on
ESG

Ben Tidswell noted that we had to focus on matters that supported the sustainability of the business and not introduce new measures at the moment. He had not seen an ESG strategy at the Board and we should agree this first. Tom Cooper agreed that we needed to define our strategy first and that this needed to be discussed at the Board and was an increasing focus of our Shareholder. Tim Parker agreed that this should be the next step. LH concurred and thought it appropriate to include what we were doing already with regards to ESG in our remuneration strategy. Nick Read said that the executive would come back to the Board with an interim approach on ESG.

Action: NR

6. Any other business

Angela Williams reported that discussions were ongoing with Zdravko Mladenov about his joining the Group Executive. A proposal on a project related bonus for delivering SPM might be brought to the Remuneration Committee in due course. Nick Read noted that the key issue for ZM was going to be having the funding available to deliver SPM.

Date of next scheduled meeting: 22nd February 2022



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Chair

Date