

Royal Mail – Strictly Confidential

RC(07)4TH
RC07/27- 34

ROYAL MAIL HOLDINGS plc
(Company no. 4074919)

REMUNERATION COMMITTEE

Minutes of the meeting of the Committee
held at 148 Old Street, London, on 2 May 2007

Present:

David Fish Chairman
Sir Mike Hodgkinson

Apologies:

Richard Handover

In attendance:

Adam Crozier	Chief Executive
Jonathan Evans	Company Secretary
Tony McCarthy	Group Director, People and Organisational Development
Andrew Dalkin	Director, Recognition and Reward

RC07/27

MINUTES OF PREVIOUS MEETING

- (a) The Committee approved the minutes of the meeting held on 4 April 2007

RC07/28

MATTERS ARISING FROM THE MINUTES

- (a) Senior Management Pay Freeze. The Committee noted the letter which had been circulated by the Chief Executive, freezing increases in base pay for 2007/08 for all LTIP recipients.
- (b) Severance terms for:
- Ian Griffiths. A letter received from Mr Griffiths's lawyers was circulated. Except for increasing the allowance for outplacement consultancy to £35,000 it was decided that there would be no change in the terms offered.
 - David Flowers. It was noted that Mr Flowers now accepted that there would be no payment under the Long Term Incentive Plan and that his case was close to being concluded and that a reference was being finalised.

ACTION

Andrew Dalkin

- (c) GLS Pay Proposal GLS's pay proposal was discussed by the Committee and approved. Andrew Dalkin was asked to circulate copies to members and to prepare a response to Rico Back
- (d) James Rietkerk: The draft letter to James Rietkerk was approved subject to the addition that it was conditional on his remaining in his current role

ACTION

Andrew Dalkin

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- RC07/29 UPDATE ON DISCUSSIONS WITH GOVERNMENT ON LONG TERM INCENTIVE PLAN**
- ACTION Andrew Dalkin** (a) The Committee approved the draft letter to the DTI which set out the calculations for the 2005-07 Long Term Incentive Plan.
- RC07/30 ANNUAL BONUS 2006/07**
- ACTION Andrew Dalkin** (a) The Committee approved the paper setting out the bonus consequences for the Executive Director and the Chairman. It was agreed that a letter would be sent to the DTI asking if there were any comments they wished to make.
- ACTION Andrew Dalkin** (b) The Committee approved the principles which had been used in the 'top 140 Levelling' exercise, but asked for the figures to be recalculated so that the total cost of the exercise would be within £20,000 of cost neutral.
- ACTION Andrew Dalkin** (c) Royal Mail Letters. The Committee approved in principle that an 'underpin' could be applied to the bonuses awarded in Royal Mail Letters which would guarantee certain minimum levels. The Chairman asked that he be provided with a note giving further information on the average difference this would make to those affected.
- RC07/31 LONG TERM INCENTIVE PLAN RULES**
- ACTION All** (a) Members were asked to consider the amendments proposed to the formal plan rules and to give their comments at the following meeting.
- RC07/32 DIRECTORS REMUNERATION REPORT 2006/07**
- (a) Members noted the draft report, which now included the outturn figures for the annual bonus and LTIP.
- RC07/33 ANY OTHER BUSINESS**
- ACTION Andrew Dalkin** (a) Robin Dargue: The terms for recruiting Robin Dargue were discussed by the Committee who were concerned about the differentials with Executive Directors. The Committee specified that the highest offer would be a £100,000 'golden hello', the standard benefits and incentives for a post at this level and an annual base salary of £245,000.
- (b) Garry Hockey Morley: On recruitment, Mr Hockey Morley had been promised an introductory bonus, on condition that certain things had been achieved. The Chairman asked for POL to provide further information before concluding on the payment.
- RC07/34 CLOSE**
- (a) In the absence of any further business, the Chairman closed the meeting.