

Royal Mail – Strictly Confidential

RC(06)08

**ROYAL MAIL HOLDINGS plc**  
**REMUNERATION COMMITTEE**  
**ANNUAL BONUS 2005-2006**

**Introduction**

1 This paper recommends the annual bonus payments for executive directors for 2005-2006.

**Outturn**

2 Appendix 1 sets out the payments calculated and Appendix 2 gives the detailed breakdown of achievement against the individual financial and quality targets. The final column of Appendix 2 gives the percentage of the on-target bonus from each element.

3 The targets for executive directors' bonuses were finally confirmed by the DTI in February 2006 after a lengthy discussion which resulted in the stretch on the financial target being increased from 20% to 50%.

4 Appendix 1 also shows the maximum proportion of each bonus which can be deferred into the LTIP in accordance with the rules agreed by the Remuneration Committee – 50% up to the on-target level, and 75% of any amount above that.

5 A paper is attached at Appendix 3 which gives in detail the bonus outturn for other senior staff, which includes a breakdown by business.

**Recommendation**

6 The Remuneration Committee is invited to:

- Approve in principle the bonuses set out in the attached schedule.
- Seek the comments of the Secretary of State for Trade and Industry.

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