

**POST OFFICE LIMITED**  
**("the Company")**  
**Terms of Reference of the Remuneration Committee**

The Remuneration Committee (the "Committee") is a Committee of the Company Board ("the Board") from which it derives its authority and to which it reports after each meeting. Its authority is always subject to the powers and duties of the Board, as set out in the Articles of Association.

**A. PURPOSE**

1. The purpose of the Committee is to:
  - i. Determine and ensure that appropriate Group remuneration policies are in place for the Company and its subsidiaries taking into account all factors the Committee deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code 2018 and associated guidance. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the Company and Group subsidiaries successfully without paying more than is necessary, having regard to views of the shareholder and other stakeholders;
  - ii. Design remuneration policies and practices to support strategy and promote long-term sustainable success, with executive remuneration aligned to Company purpose and values, clearly linked to the successful delivery of the Company's long-term strategy, and that enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums under appropriate specified circumstances;
  - iii. Approve for recommendation to the Shareholder the remuneration for Executive Directors and the fees for Non-Executive Directors for the Company, aside from the Chair where the Shareholder will advise the remuneration for the Chair as determined by the Shareholder;
  - iv. Approve the remuneration packages of individuals who are members of the Group Executive and fees for Non-Executive Directors of the Company's subsidiaries;
  - v. Approve of the introduction of any long- and/or short-term incentive scheme (LTIP/STIP), the associated performance criteria and any awards made under such schemes by any Group Company<sup>1</sup>.

**B. DUTIES AND RESPONSIBILITIES**

***Remuneration Policy for the Company: Executive***

2. **Approve for recommendation to the Board** the remuneration policy for the Executive Directors and those individuals who are members of the Group Executive.

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<sup>1</sup> Post Office Management Services Limited (Post Office Insurance) and Payzone Bill Payments Limited.

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***Remuneration Package: Executive Directors, Members of the Group Executive, Group boards***

3. **Approve** the remuneration package and terms and conditions of employment including any variations thereof for proposed Executive Director, Group Executive (including any interim appointments to the Group Executive), and Subsidiary board appointments (excluding Group board appointments which are in addition to an executive's primary role and where no additional remuneration applies). This may include, but shall not be restricted to:
- i. Base salary
  - ii. STIP
  - iii. LTIP
  - iv. Pension Provision
  - v. Contractual terms such as notice periods.

The recommendations shall align with the Group Remuneration Policy approved by the Board, the Public Sector Pay and Terms Guidance (PSPTG) (subject to any modifications agreed in the Shareholder Framework Document) and the HMT Senior Pay Guidance (a requirement for all public corporations).

The Committee must make a recommendation to the Shareholder and Shareholder approval is required in respect of the remuneration packages for Executive Directors.

The Committee must make a recommendation to the Shareholder and Shareholder approval is required in respect of the proposed remuneration of any person who is a director of a Subsidiary Company who is not an employee of a member of the Group (unless that company is regulated by the FCA).

5. **Approve** each element of the remuneration package and total remuneration for new hires and any internal promotions and appointments which are proposed to carry a salary in excess of the lowest salary of any individual member of the Group Executive.
6. **Review** annually the overall total remuneration of the Senior Group (defined as Executive Directors, members of the Group Executive, and Group board appointments including interim appointments) compared both with external market comparators and with the remuneration of other employees in the Group.

***Long Term Incentive Plan (LTIP)***

7. **Approve** the proposed design of, changes to, and outturn against long-term performance-related incentive schemes for the Executive Directors, members of the Group Executive and senior managers eligible to be invited to participate in the Company's LTIP. Executive Director LTIP arrangements must be approved by the Shareholder.

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8. **Review** annually the long-term performance related incentive schemes for the Executive Directors, members of the Group Executive and senior managers eligible to be invited to participate in the Company's LTIP.
9. Where final LTIP outturns are in line with Shareholder approval obtained under paragraph 7 above, **Inform** DBT and UKGI officials in respect of the final outturn amounts for performance related LTIP for Executive Directors. Where final LTIP outturns proposed for Executive Directors are not in line with Shareholder approval, additional Shareholder approval must be obtained prior to award.

***Short Term Incentive Plan (STIP)***

10. **Approve** the criteria for, changes to, and outturn against agreed Plan targets of short-term performance-related pay arrangements for Executive Directors and members of the Group Executive. Executive Director STIP arrangements must be approved by the Shareholder.
11. **Review** annually the criteria for and outturn against agreed Plan of short-term performance related pay arrangements for Executive Directors and members of the Group Executive.
12. Where final STIP outturns are in line with Shareholder approval obtained under paragraph 10 above, **Inform** DBT and UKGI officials in respect of the final outturn amounts for performance related STIP for Executive Directors. Where final STIP outturns proposed for Executive Directors are not in line with Shareholder approval, additional Shareholder approval must be obtained prior to award.
13. **Receive** information on the total outturn of performance related pay arrangements across the business for information.

***Exit Packages***

14. **Approve** the exit package for any individual with a salary above the lowest salary of the members of the Group Executive, where the exit package would be in excess of contractual obligations. Where any exit package for an Executive Director is in excess of the contractual obligations of the Executive Director, the exit package must be approved by the Committee for recommendation to the Shareholder.

***Remuneration Policy for the Company: Non-Executive Directors***

15. **Approve for recommendation to the Shareholder** the fees for Non-Executive Directors of the Company to the Board, aside from the Chair where the Shareholder will advise the remuneration for the Chair as determined by the Shareholder.

***Engagement***

16. **Review** workforce engagement measures, such as engagement surveys, and outputs from these, and take these outputs into account when determining Group remuneration policies and remuneration packages.



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17. **Review** feedback from the Senior Independent Director on employee views and take this feedback into account when determining Group remuneration policies and remuneration packages.

**C. REPORTING RESPONSIBILITIES**

18. The Committee Chair shall **report** to the Board after each meeting on the nature and content of its discussion, recommendations and action to be taken.
19. **Report** to the Board whatever recommendations it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for Board discussion when necessary.
20. **Report** on its activities in the Company's annual report which should describe the work of the Committee in line with the requirements of the UK Corporate Governance Code.
21. **Identify** in the annual report any consultants appointed as remuneration consultants, alongside a statement about any other connection they have with the Company or individual directors.

**D. AUTHORITY**

22. The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.
23. The Committee shall be authorised to seek any information it requires from any employee of the Company in order to perform its duties.
24. The Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company. However, the Committee should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants.

**E. COMPOSITION AND GOVERNANCE**

***Membership***

25. The Committee Chair and members of the Committee will be appointed by the Board, acting on the recommendation of the Nominations Committee and in consultation with the Chair of the Remuneration Committee and shall be appointed for a period coinciding with their term of appointment as directors of the Company, which may be extended for an additional three-year period, provided the director still meets the criteria for



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membership of the Committee and is otherwise approved for re-appointment as a director of the Company.

26. The Committee Chair shall be an independent Non-Executive Director who should have served on a remuneration committee for at least 12 months.
27. The Committee Chair should seek engagement with the Shareholder on significant matters related to the Committee's areas of responsibility.
28. In the absence of the Committee Chair at any meeting, the Committee members present shall determine who shall chair the Committee.
29. The Committee shall consist of at least two independent Non-Executive Directors. If considered independent at the time of appointment, the Chair of the Company may be a member of the Committee, but shall not chair it.
30. Only Non-Executive Directors shall be eligible to be members of the Committee, such that no individual shall be involved in determining their own remuneration.

***Quorum***

31. Quorum shall be two members.

***Committee Secretary***

32. The Group Company Secretary, or his or her nominee, shall act as Secretary to the Committee and shall attend all meetings to keep minutes and record actions.

***Frequency***

33. The Committee shall meet as often as required but at least three times per year.

***Governance***

34. Meetings may be held in person or by telephone or other electronic means, so long as all participants can contribute to the meeting simultaneously.
35. Notice of each meeting shall be given to all those entitled to participate at least three working days before the meeting.
36. Meetings for the Committee may be convened by the Secretary in consultation with the Chair, or by any member of the Committee, at any time. The Secretary will be responsible for setting the venue date and time of meetings in conjunction with the Chair. All papers supporting the meeting will be issued in good time, one week in advance of the meeting date.
37. The Chair will report regularly to the Board. Minutes of each Committee meeting will be circulated to all members of the Committee and, once agreed, to those members of the Board who have no personal interest in

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the matters discussed. Where a conflict of interest exists, the Company Secretary will provide sufficient information to the full Board to provide an understanding of the matter(s) considered.

38. The Secretary shall provide current and new Committee members with any training, briefings or induction required under the supervision of the Chair.
39. Only members of the Committee have the right to attend Committee meetings. The Group Chief Executive, the Group Chief People Officer (or the holder of any equivalent position), Group Reward Director, and external advisers shall be informed of the date of each meeting and may be invited by the Chair to attend all or part of any meeting, as and when appropriate.
40. The Committee shall have access to sufficient executive time and resources in order to carry on its duties, including access to the Company Secretary and members of the People/Human Resources team.
41. The Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting terms of reference of remuneration consultants and have authority to appoint remuneration consultants and to obtain, at the Company's expense, legal or other professional advice on matters within its terms of reference as required, up to a financial limit determined by the Board.
42. If there should be disagreement between the Remuneration Committee and the full Board, the Chair of the Board shall make time available for discussion of the issue so that the matter may be resolved. Where any such disagreement cannot be resolved, the Remuneration Committee shall report the issue as part of any annual report on its activities required by the Shareholder.

**F. ANNUAL REVIEW AND APPROVAL**

43. The Committee will undertake an annual review of its performance and the Terms of Reference. The outcome of these review will be recommended to the Board for approval (notwithstanding amendments approved by the Committee whenever so required).

<b>Approved by:</b>	<b>Date:</b>	<b>Version:</b>	<b>Effective from:</b>
Post Office Limited Board	25/03/2015	1.1	25/03/2015
Post Office Limited Board	25/11/2015	1.2	25/11/2015
Post Office Limited Board	30/10/2018	1.3	30/10/2018
Post Office Limited Board	20/07/2019	1.4	30/07/2019
Post Office Limited Board	08/04/2020	2.0	09/04/2020
Post Office Limited Board	03/06/2021	2.0 (no changes)	04/06/2021
Post Office Limited Board	28/03/2023	3.0	29/03/2023