

**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. 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 for the Company's Executive Directors ('Executive Directors') and members of the Strategic Executive Group 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;
  - iii. use discretion to override formulaic outcomes and to recover and/or withhold sums under appropriate specified circumstances ensuring that any exercise of discretion is clearly documented in minutes of Committee meetings and reported to the Board (refer to paragraph 24 below);
  - iv. 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;
  - v. Approve the remuneration packages of individuals who are members of the Strategic Executive Group and fees for Non-Executive Directors of the Company's subsidiaries;
  - vi. 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. In approving such a scheme, the Committee shall ensure that it is simple, transparent, and clear<sup>1</sup>.

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

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- vii. Review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration.
- viii. During scheme periods, routinely assess progress against STIP and LTIP metrics, including reviewing the validity of STIP and LTIP metrics if circumstances change and determining whether changes to metrics are required noting the need to potentially consult with the Shareholder on any proposed scheme changes.

**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 Strategic Executive Group.

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

- 3. **Approve** the remuneration package and terms and conditions of employment including any variations thereof for proposed Executive Director, Strategic Executive Group (including any interim appointments to the Strategic Executive Group), 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 policy and 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).

- 4. **Approve** each element of the remuneration package and total remuneration for all members of the Strategic Executive Group and for any new hires, internal promotions and appointments or remuneration increases for employees below the Strategic Executive Group which are proposed to carry a salary in excess of £250,000 per annum.

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5. **Review** annually the overall total remuneration of the Senior Group (defined as Executive Directors, members of the Strategic Executive Group, 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 Scheme (LTIP)***

6. **Approve** the proposed design of, changes to, and outturn against LTIPS for the Executive Directors, members of the Strategic Executive Group and senior managers eligible to be invited to participate in the Company's LTIP. LTIP scheme metrics, weightings and targets that are proposed for Executive Directors must be approved by the Shareholder.
7. **Review** periodically progress against LTIP metrics, including reviewing the validity of LTIP metrics if circumstances change and determining whether changes to metrics are required noting the need to potentially consult with the Shareholder on any proposed scheme changes.
8. **Document** the data that has been reviewed to determine whether LTIP metrics have been achieved noting this in the minutes of Committee meetings.
9. **Review** annually the criteria for and outturn against the LTIP for the Executive Directors, members of the Strategic Executive Group and senior managers eligible to be invited to participate in the Company's LTIP.
10. 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 Scheme (STIP)***

11. **Approve** the criteria for, changes to, and outturn against the STIP for Executive Directors and members of the Strategic Executive Group. STIP scheme metrics, weightings and targets that are proposed for Executive Directors must be approved by the Shareholder.
12. **Review** periodically progress against STIP metrics, including reviewing the validity of STIP metrics if circumstances change and determining whether changes to metrics are required noting the need to potentially consult with the Shareholder on any proposed scheme changes.
13. **Review** annually the criteria for and outturn against agreed Plan of short-term performance related pay arrangements for Executive Directors and members of the Strategic Executive Group.
14. **Document** the data that has been reviewed to determine whether metrics have been achieved noting this in the minutes of Committee meetings.
15. 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



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not in line with Shareholder approval, additional Shareholder approval must be obtained prior to award.

16. **Receive** information on the total outturn of performance related pay arrangements across the business for information.

***Exit Packages***

17. Where any exit package for any Executive Director or Strategic Executive Group Member is in excess of contractual obligations, the exit package must be approved by the Committee for recommendation to the Shareholder.

***Remuneration Policy for the Company***

***Non-Executive Directors***

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

***Group***

19. **Approve for recommendation to the Board** the Group Remuneration Policy. The Committee notes the responsibilities of the Group Chief Executive as the Accountable Officer to observe the principles set out by HM Treasury in Managing Public Money and the responsibility of the Company to have regard to relevant sections of HM Treasury Guidance for approval of Senior Pay (June 2023) and will take these into account, as well as the items listed in Appendix 5 of the Shareholder Relationship Framework Agreement (March 2020), when making recommendations regarding the Group Remuneration Policy and its application to the Executive Directors and members of the Strategic Executive Group.

**C. REPORTING RESPONSIBILITIES**

20. 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.
21. **Report** to the Board on decisions where the Committee has exercised discretion as well as 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.
22. **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 and include detail relating to any exercise of discretion by the Committee.
23. **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**



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24. 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.
25. The Committee shall be authorised to seek any information it requires from any employee of the Company in order to perform its duties.
26. 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 and should ensure pay structures are simple, transparent, and clear.

**E. COMPOSITION AND GOVERNANCE**

***Membership***

27. 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 membership of the Committee and is otherwise approved for re-appointment as a director of the Company.
28. The Committee Chair shall be an independent Non-Executive Director who should have served on a remuneration committee for at least 12 months.
29. In the absence of the Committee Chair at any meeting, the Committee members present shall determine who shall chair the Committee.
30. The Committee shall include within its membership the Shareholder Non-Executive Director and 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.
31. 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***

32. Quorum shall be two members.

***Committee Secretary***

33. 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***

34. The Committee shall meet as often as required but at least [three] times per year.

***Governance***

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35. Meetings may be held in person or by telephone or other electronic means, so long as all participants can contribute to the meeting simultaneously.
36. Notice of each meeting shall be given to all those entitled to participate at least three working days before the meeting.
37. 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.
38. 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 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.
39. The Secretary shall provide current and new Committee members with any training, briefings or induction required under the supervision of the Chair.
40. 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.
41. 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.
42. 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.
43. 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.

**Process to obtain Shareholder approval**

44. Where within these terms of reference there is a requirement to obtain the approval of the Shareholder, the process shall be as described in Article 8.3 of the Company's Articles of Association.

**F. ANNUAL REVIEW AND APPROVAL**

45. The Committee will undertake an annual review of its performance and the Terms of Reference. The outcome of these review will be recommended to

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the Board for approval (notwithstanding amendments approved by the Committee whenever so required).

Approved by:	Date:	Version:	Effective from:
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
Post Office Limited Board	27/02/2024	4.0	