

RC(10)02

Royal Mail Holdings plc
REMUNERATION COMMITTEE
BONUS AND LTIP OUTTURNS 2009-10

Introduction

- 1 The Remuneration Committee is invited to note the following outturns from the annual bonus and LTIP plans. (Figures may be subject to minor changes as results are audited and Quality figures finalised.)

Bonus Results

- 2 The following table summarises the elements which make up the bonus results. The main body of the table gives the targets for each factor and the column at the far right the precise results.

	Threshold	On-target	Stretch	Result
Financial performance - Group	292	307	407	404
Financial performance - Letters	123.5	129.8	200	131
Financial performance - PFW	13.3	13.6	24	16.5
Financial performance - POL	58.9	62.3	82	65
Quality:				
Retail 1st	92.0%	93.0%	93.5%	86.9%
Retail 2nd	97.5%	98.5%	99.0%	96.3%
Bulk M1	90.0%	91.0%	91.5%	88.3%
Bulk M2	96.5%	97.5%	98.0%	95.5%
Bulk M3	96.5%	97.5%	98.0%	97.8%
Special Delivery	98.75%	99.00%	99.25%	97.4%
Wholesale Access	94.0%	95.0%	95.5%	92.6%
Parcelforce 24	96.7%	97.0%	97.7%	97.7%
POL products £k	57	60	64	62.1
POL quality effect	77.1%	81.2%	85.3%	79.5%
POL quality impress	82.7%	87%	91.4%	86.8%
POL Call Centre	83%	88%	93%	89.7%

- 3 From this it will be seen that:

Financial

- Group results are well up the 'stretch'
- Letters, POL and Parcelforce are all above the on-target level

Quality

- As a result of industrial action all Letters quality measures have been failed, with the exception of Bulk M3 ('Mailsort 3') which is just above the on-target level.
 - The POL figures are mixed with Product Sales and Call Centres above the on-target and the Quality of Services levels a little below
 - Parcelforce has achieved the maximum of the scale.
- 4 The calculations for each of the main board directors are given in detail in the Appendices. Please note that:
- The figures for Adam Crozier are included for completeness – as Members are aware, no bonus will be paid.
 - Personal Performance ratings have been completed by the Chairman, taking into account advice from the Chief Executive.
- 5 For managers below Board level results vary (there are mixtures of Group and Business level factors - and local performance, often measured against budget, plays a part in more junior roles.). For the more senior posts the results vary as percentages of the applicable on-target bonuses as follows:
- 75.1% and 80.2% in Letters,
 - 113.0% and 119.9% in POL,
 - 120.4% and 129.9% in Parcelforce
 - 103.1% and 117.8% in Group Headquarters.

Long Term Incentive Plan

- 6 The Long Term Incentive Plan matures this year. The Return on Total Assets outturn is 11.3% against the following targets:

Threshold:	8.2%
On-target	8.57%
Stretch	11.03%

This results in a Company Award of 37.5% of base salary.

The 3 year ROTA result is 26.0% against the following targets:

Threshold:	17.4%
On-target	19.3%
Stretch	29.7%

This results in a final multiplier of 1.75.

Appendix 2 details the total payments to Directors from bonuses and the LTIP. (Please note that in the case of Adam Crozier, this shows both what would have been paid, had a bonus been awarded and invested into the LTIP, and the figure which comes from this calculations without such a bonus. Members will recall that the *actual* LTIP payment agreed with him is £1.5 million, which is lower than either amount.)

Recommendation

- 7 The Remuneration Committee is invited to endorse the results of the annual bonus and LTIP plan.

Appendix 1

Detailed calculations of Executive Director Annual Bonuses

Adam Crozier

Factors as a percentage of base pay

	Financial Measures			Non-Financial Measures	
	Profit	Revenue	Costs	Quality	Personal
Maximum	15.0	5.0	30.0	25.0	25.0
On-Target	9.0	3.0	18.0	15.0	15.0
Threshold	4.5	1.5	9.0	7.5	7.5

Targets

	Financial Measures		
	Profit	Revenue	Costs
Maximum	407.0	9988.0	-8929.0
On-Target	307.0	9512.0	-9205.0
Threshold	292.0	9227.0	-9205.0

Results

	Financial Measures			Non-Financial Measures	
	Profit	Revenue	Costs	Quality	Personal
Actual	404.0	9390.0	-8985.0	8.8	15.0

Bonus Outturn new

	Financial Measures			Non-Financial Measures		Total
	Profit	Revenue	Costs	Quality	Personal	
Maximum	93,811	14,925	174,488	55,894	94,950	434,068

Base salary £633,000

Ian Duncan

Factors as a percentage of base pay

	Financial	Non-Financial Measures	
	Profit	Quality	Personal
Maximum	40.0	20.0	20.0
On-Target	24.0	12.0	12.0
Threshold	12.0	6.0	6.0

Targets

	Financial
	Profit
Maximum	407.0
On-Target	307.0
Threshold	292.0

Results

	Financial	Non-Financial Measures	
	Profit	Quality	Personal
Actual	404.0	7.1	10.0

Bonus Outturn

	Financial	Non-Financial Measures		Total
	Profit	Quality	Personal	
Maximum	128,440	22,945	32,500	183,885

Base salary £325,000

Mark Higson

Factors as a percentage of base pay

	Group Profit	Letters Profit	Non-Financial Measures	
			Quality	Personal
Maximum	20.0	25.0	20.0	15.0
On-Target	12.0	15.0	12.0	9.0
Threshold	6.0	7.5	6.0	4.5

Targets

	Group Profit	Letters Profit
Maximum	407.0	200.0
On-Target	307.0	130.0
Threshold	292.0	124.0

Results

	Group Profit	Letters Profit	Non-Financial Measures	
			Quality	Personal
Actual	404.0	131.0	3.8	12.5

Bonus Outturn

	Group Profit	Letters Revenue	Non-Financial Measures		Total
			Quality	Personal	
Maximum	84,652	64,872	16,279	53,336	219,139

Base salary £428,400

Alan Cook

Factors as a percentage of base pay

	Group Profit	POL Profit	Non-Financial Measures	
			Quality	Personal
Maximum	20.0	25.0	20.0	15.0
On-Target	12.0	15.0	12.0	9.0
Threshold	6.0	7.5	6.0	4.5

Targets

	Group Profit	POL Profit
Maximum	407.0	82.0
On-Target	307.0	62.3
Threshold	292.0	58.9

Results

	Group Profit	POL Profit	Non-Financial Measures	
			Quality	Personal
Actual	404.0	65.0	14.0	0.0

Bonus Outturn

	Financial Measures		Non-Financial Measures		Total
	Profit	Revenue	Quality	Personal	
Maximum	55,723	46,165	39,367	0	141,255

Base salary £282,000

Appendix 2

Adam Crozier

Base Salary £633,000

Total Annual Bonus	£434,068	nil
Bonus in cash	£208,012	nil
Total from LTIP	£1,924,764	1,537,904
Additional Deferral	£70,075	70,075
Total to pay	£2,202,851	1,607,979

Mark Higson

Base Salary £428,400

Total Annual Bonus	£219,139
Bonus in cash	£106,193
Total from LTIP	£1,004,185
Total to pay	£1,110,378

Ian Duncan

Base Salary £325,000

Total Annual Bonus	£183,885
Bonus in cash	£84,971
Total from LTIP	£882,782
Total to pay	£967,753

Alan Cook

Base Salary £282,000

Total Annual Bonus £141,255

Bonus in cash £69,154

Total from LTIP £754,016

Total to pay £823,170

Element in the box is the total that will be received