

Royal Mail – Strictly Confidential

**RC(11)5TH
RC11/23-**

ROYAL MAIL HOLDINGS plc
(Company no. 4074919)
REMUNERATION COMMITTEE
Minutes of the meeting of the Committee
held at 100 Victoria Embankment, London, EC4Y 0HQ on
Friday 3 June 2011 at 9.00 am

Present:

Orna Ni-Chionna	Non-Executive Director, Chairman of the Committee
Donald Brydon	Chairman
Nick Horler	Non Executive Director (by phone)
Cath Keers	Non Executive Director (by phone)
Paul Murray	Non-Executive Director (by phone)
Les Owen	Non-Executive Director (by phone)

David Currie	Non Executive Director
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Also present:

Moya Greene	Group Chief Executive
Jon Millidge	Company Secretary, Secretary of the Committee
Andrew Dalkin	Director of Reward
John Duncan	Group HR Director

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MINUTES OF PREVIOUS MEETING –

- (a) The Committee agreed the minutes of the meeting of 27 April 2011

RC11/24

MATTERS ARISING

- (a) Jon Millidge advised the Committee on developments regarding the Royal Mail Senior Executive Pension Plan (RMSEPP). The Trustees of the scheme had now taken advice from Counsel on the issue of indexation and that advice had led them to conclude that the appropriate indexation would be RPI. Jon Millidge further advised the Committee that he had indicated to RMSEPP that the Company would consider a challenge should the Trustees take action to implement RPI indexation.

RC11/25

Executive Director Bonuses (11)13(a)

- (a) The Committee was reminded that this year was the first year in which individual Board members had been set personal objectives and that the performance of individuals against those personal objectives had been conducted by the Chairman, the Chief Executive and the Chair of the Committee. Donald Brydon and Orna Ni-Chionna had discussed the performance of the Chief Executive.
- (b) The Committee noted that the Executive team had discussed the payment of bonuses in the context of the performance of the Company and projected valuation of ColleagueShares. The Executives were inclined not to pay bonuses but recognised that expectations had not been managed amongst managers on whom the

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Company would be relying in the event of industrial action. It had concluded that the Company should honour its commitments to its managers.

- (c) The Committee was concerned that the low level of bonuses may be prove to be disappointing to the senior executives, but were assured that senior executive expectations were relatively low. In reviewing the proposed payments, the Committee noted that:
 - i) The difference between the CEO's bonus and the Managing Director Transformation's bonus were comparable to the previous year
 - ii) There were some anomalies between the scale of the challenge for different executives producing surprising differences in the level of bonuses
 - iii) Overall, the bonus figures fairly reflected the performance of the Company in an exceptionally challenging period
- (d) The Committee approved the proposed bonus for Moya Greene having considered the comments from the Secretary of State on the Company's performance
- (e) **The Chief Executive joined the meeting and elaborated further on the performance of individuals**
- (f) The Committee noted that the Secretary of State had provided input on the performance of the Company and its executives and considered that input. The Committee agreed the proposed bonuses for the remainder of the executive team subject to final sign off from the Chairman of the Committee.

RC11/26

Directors' Remuneration report RC(11) 14

- (a) The Committee reviewed the Directors' Remuneration Report and noted that:
 - i) There were still a few gaps where information was awaited
 - ii) Directors would be asked to complete a remuneration certificate in respect of their own fees
 - iii) The report was still subject to review from the external auditors
- (b) The Committee noted that a further version of the report would be circulated prior to publication and agreed that the Chairman of the Committee would have devolved authority to sign off the final version for inclusion in the report and accounts.

RC11/27

Group Executive Team Bonus Arrangements

- (a) The Committee considered John Duncan's paper on bonus arrangements for the members of the Group Executive Team. The Committee noted that:

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- i) the Chief Executive had reviewed the individual performance against objectives of the GET members and had concluded on a personal objective rating
 - ii) the bonus awards include an award for quality of service at the actual level (not allowing the force majeure agreed for the regulator)
 - iii) the total of the bonus awards was substantially lower than in the previous year.
- (b) The Committee agreed the awards recommended by the Chief Executive.

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CLOSE

- (a) There being no further business, the Chairman of the Committee closed the meeting.

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