



POST OFFICE LIMITED REMUNERATION COMMITTEE REPORT

Title:	Remuneration Committee Evaluation Report 2022/23	Meeting Date:	3 July 2023
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Input Sought: Discussion/Decision

The Committee is asked to:

- **NOTE** and **DISCUSS** the Remuneration Committee Evaluation for 2022/23 (please see **Appendix 1**).
- **APPROVE** the recommended actions to address points raised and areas which may require development.

Recommendations:

1. It is recommended that the Committee focus greater efforts to ensure that remuneration structures/packages are simplified.
2. The quality of papers/presentations submitted to the Committee from management require improvement. The Committee could work with management to provide regular feedback on the calibre of papers and to call out papers that are inadequate.
3. The Committee could allocate time annually to review Willis Towers Watson's (WTW) work and advice.

Executive Summary

The UK Corporate Governance Code and the Corporate Governance Code for Central Government Departments¹ both stipulate that there should be an annual evaluation of the Board and its Committees which should be externally facilitated at least once every three years.

The Remuneration Committee questionnaire for 2022/23 mirrored that for 2021/22 to allow comparison across years.

The Committee Members at the time and Angela Williams, former Interim Group Chief People Officer, who was a regular attendee at Remuneration Committee meetings, were invited to participate in the Committee Evaluation. The questions, average scores and a summary of the findings are at Appendix 1.

Questions addressed

1. How have we implemented the actions from last year's Remuneration Committee Evaluation?
2. What are the findings from the Remuneration Committee Evaluation 2022/23?

¹ Provision 21 of the UK Corporate Governance Code 2018 and paragraph 4.12 of the Corporate Governance Code for Central Government Departments.



Report

3. Actions from the Board Evaluation 2021/22

- The Committee to schedule time with advisors away from management to establish stronger Committee relationships.

It does not appear that this recommendation was implemented at a Committee wide level. The key representative from the Committee's advisors was on scheduled leave for part of the year and interim resource provided by the Committee's advisors.

- The Committee to consider scheduling in informal discussions ahead of meetings to test proposals where necessary.

Committee members met on an informal basis to discuss the content of proposals ahead of meetings where required.

- The importance of diversity and inclusion be considered by the Committee, within the remit of the Committee's work.

The results of the 2022 Equity, Diversity and Inclusion survey was considered by the Committee at its meeting on 6th December 2022.

- That the Committee review the meeting schedule for adjustments to either frequency or length of meetings.

The Committee's meeting schedule was re-aligned to match in with anticipated timings for decisions to be taken, and an Annual Planner has been proposed.

4. Findings 2022/23

Several questions had a decline in average scores particularly in the 'Skills, experience, diversity, knowledge' section. This may be due to the fact that several members of the Committee are fairly new to the Committee. Nevertheless, with the exception of two questions, all other questions achieved an average score of 3 or higher (3 = "good/at the required standard").

The highest scoring questions were:

Q3.	How would you assess the Chair's encouragement of debate within the Committee, including ensuring that all members are able to contribute to the discussion?	4.4
Q4.	How effective is the Committee at focussing on the right issues?	3.8
Q5.	How effective is the Committee at providing both challenge and support to management?	3.6



The lowest scoring questions were:

Q2. b.	How would you assess the Committee's knowledge of the following issues: Structure of staff remuneration packages and approvals process for these (PO Limited and PO Insurance)	2.4
Q8.	How would you rate the quality of papers and presentations received by the Committee?	2.6

5. How do last year's responses and this year's compare?

The average score for most questions has declined as compared to last year. For example, the question relating to the structure of staff remuneration packages and approvals dropped by nearly two points from 4.0 (4 = 'very good') in 2021/22 to 2.4 in 2022/23.

The responses to the questionnaire suggest that there remained a high degree of confidence in how the Committee was chaired. The question relating to the Chair's effectiveness (Q3) maintained an average score of 4.

Next Steps & Timelines

1. If the Committee accepts the report's recommendations, it will be asked to consider incorporating the recommendations into the forward plan for the Committee at its next scheduled periodic meeting.



Appendix 1

Remuneration Committee Evaluation Questionnaire 2022/23

	Question	2021/22 Average	2022/23 Average
	Skills, experience, diversity, knowledge		
1.	How appropriate is the composition of the Committee for the requirements of the business?	4.0	3.4
2.	How would you assess the Committee's knowledge of the following issues:		
	a. Structure of senior executive remuneration packages and approvals process for these (PO Limited and PO Insurance)	4.0	3.4
	b. Structure of staff remuneration packages and approvals process for these (PO Limited and PO Insurance)	4.0	2.4
	c. Reporting requirements for the Remuneration Report in the Annual Report and Accounts	4.0	3.4
	d. Increased focus on and reporting requirements for equality and diversity issues.	4.0	3.0
	Additional Comments: <ul style="list-style-type: none"> We need to cover more staff related rem in 2023. We have started looking at EDI, but need to step this up in 2023 I am new to this area and so I think is Brian, so I think we are a bit light on experience on most of these issues. 		
	Leadership, ways of working, time management		
3.	How would you assess the Chair's encouragement of debate within the Committee, including ensuring that all members are able to contribute to the discussion?	4.0	4.4
4.	How effective is the Committee at focussing on the right issues?	3.8	3.8
5.	How effective is the Committee at providing both challenge and support to management?	4.0	3.6
	Additional Comments: <ul style="list-style-type: none"> Lisa runs an excellent meeting, despite difficult circumstances. Too many points come in a messy way, take too long to get resolved and are revisited after decisions are made. As a result, we are late with outcomes and management are in a poor position to use the incentives properly. Lisa has done an excellent job chairing this committee in very trying circumstances. 		
	Information and Support		
6.	Are the frequency and length of Remuneration Committee meetings appropriate?	Yes = 3 No = 2	Yes = 5 No = 0
7.	How effective is the Committee at testing the information provided by its external advisers?	3.2	3.2
8.	How would you rate the quality of papers and presentations received by the Committee?	3.8	2.6



9.	How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required)?	4.0	3.4
	Additional Comments <ul style="list-style-type: none"> • A review of WTW would be helpful especially regarding benchmarking • "WTW have not been very proactive and they seem not to have any definite views. • Some of the papers have been muddled and confusing, especially in terms of accurately recording what the underlying factual position is and maintaining the integrity of what the Committee has actually agreed. • 		
10.	Please include any thoughts you have about the operation of the Committee and any ideas for its future operation.		
	<ul style="list-style-type: none"> • More to do to get to a better timetable of decision making • More to go to balance reward fairness and affordability • More to go to simplify reward structures • Trust needs to continue to be built between the Executive and the Committee - a focus on engagement/listening/incentivisation would be helpful • The interplay with Shareholder approval remains a significant working issue for the Committee - in particular the level of approvals required for any executive Board comp. • There seems to be much merit in trying to simplify the incentive plans. • The appointment of a new head of HR provides an opportunity to reset the relationship with the committee. It must be recognised that the environment in which the company is operating and pressures it is under (both internal and external) make the job of the HR team and Remco difficult. Turnover in the HR team also means corporate memory is sometimes missing. However, it has been disappointing that some decisions which should have been taken to Remco have not (eg certain senior exec exit packages). In addition, the process of STIP/LTIP design continues to a problem - more interaction before the end of the previous FY would speed up framework design and would help with the creation and presentation of the supporting papers on the metrics themselves. As a result the quality of Remco papers has been poor and decisions delayed for too long. 		