

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:

- ~~Ensure~~
- ~~i. Determine and ensure that appropriate Group Remuneration Strategiesremuneration policies are in place for the Company and its subsidiaries¹ designed 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 the executive management and workforceof the quality required to run the Company and Group subsidiaries successfully² without paying more than is necessary and linking incentives, 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 vision, mission and valueslong 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, including the Chairaside 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 report directly toare members of the Group Chief-Executive Officer of the Company, and the remuneration packages of Executive Directors 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 Company³;~~

¹ Post Office Management Services Limited (Post Office Insurance) and Payzone Bill Payments Limited.

² In doing so, regard will be paid to the views of the Shareholder (the Department of Business, Energy and Industrial Strategy (BEIS)) and other stakeholders; all relevant legal, regulatory and corporate governance requirements; the risk appetite of the Company and alignment to its long-term strategic goals; structuring of a significant proportion of remuneration to link rewards to corporate and individual performance and designed to promote the long-term success of the Company.

³ Remuneration for Executive Directors must be approved by the Shareholder, Post Office Management Services Limited (Post Office Insurance) and Payzone Bill Payments Limited.

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v. ~~Have oversight of the Group remuneration and related policies for the wider organisation; and~~

vi. ~~Have oversight of Group workforce engagement strategies and outputs.~~

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B. DUTIES AND RESPONSIBILITIES

Remuneration Policy for the Company: Executive

2. **Approve for recommendation to the Board** the remuneration policy for the Group Chief Executive Officer, executive directors Directors and those executives individuals who report directly to are members of the Group Chief Executive Officer, taking into account the remuneration policy set for other employees and linking incentives to the Company's vision, mission and values.

3. ~~Review~~ the Group Remuneration Policy annually and **approve for recommendation to the Board** any changes to the Group Remuneration Policy.

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

4.3. **Approve for recommendation to the Shareholder** the remuneration package and terms and conditions of employment ~~for including any variations thereof for proposed~~ Executive Director, Group Executive (including any interim appointments, proposed by the Nominations Committee⁴, 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. Short term incentive (annual bonus)
- iii. Long Term Incentive Plan
- iv. Pension Provision

v. ~~Benefits such as car or car allowance, private health, holidays~~

vi. Contractual terms such as notice periods.

The recommendations shall align with the Group Remuneration Policy approved by the Board.

~~The Remuneration Package: Direct reports~~ Committee must make a recommendation to the **Group Chief Executive Officer**

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⁴This shall include any variation of remuneration and/or terms and conditions of employment.

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~~6. **Approve** Shareholder and Shareholder approval is required in respect of the remuneration packagepackages for direct reports to the Group Chief Executive. This may include, but shall not be restricted to: Executive Directors.~~

~~— Base salary~~

~~i. Short term incentive (annual bonus)~~

~~i. Long Term Incentive Plan~~

~~i. Pension Provision~~

~~i. Benefits such as car or car allowance, private health, holidays~~

~~i. Contractual terms such as notice periods.~~

~~The recommendations shall align with the Group Remuneration Policy approved by the Board.~~

~~5~~

~~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. **Review** the contractual terms applicable to Executive Directors such that payments adhere to the Group Remuneration Policy approved by the Board; public sector pay and terms guidance (subject to any modifications agreed in the Shareholder Framework document); and HMT Senior Pay Guidance (a requirement for all public corporations).~~

~~6. **5. Review** 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 executive who reports directly to individual member of the Group Chief Executive Officer.~~

~~7.6. **Review** annually the overall total remuneration of the Senior Group (defined as the Group Chief Executive Officer, executive directorsDirectors, members of the Group Executive, and those executives who report directly to the Group Chief Executive Officerboard appointments) compared both with external market comparators and with the remuneration of other employees in the Group.~~

Long Term Incentive Plan (LTIP)

~~8.7. **Approve** the implementationproposed design of, or changes to long-term performance related incentive schemes for the Executive Directors⁵, executives who report directly to, members of the Group Chief Executive Officer and senior managers eligible to be invited to participate in the Company's LTIP. Executive Director LTIP arrangements must be approved by the Shareholder.~~

⁵ ~~Executive Director LTIP arrangements must be approved by the Shareholder.~~

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9.8. **Review** annually the performance related incentive schemes for the Executive Directors, ~~executives who report directly to members of the Group Chief Executive Officer~~ and senior managers eligible to be invited to participate in the Company's LTIP.

9. **Approve** for recommendation to BEIS, UKGI and HMT Officials the final outturn amounts for performance related LTIP for the Executive Directors, for confirmation that final outturns are aligned with Shareholder approvals on award quantum, structure and metrics (other than where previously advised that amendment had been made), and that there is no breach of Managing Public Money requirements.

Short Term Incentive Plan (STIP)

10. **Approve** the criteria for, and the outturn against agreed Plan targets of, short-term performance related pay arrangements for Executive Directors⁶ and ~~the executives who report directly to members of the Group Chief Executive Officer~~. Executive Director STIP arrangements must be approved by the Shareholder although outturn approval is not required unless metrics have changed during the Plan year.

11. **Review** annually the criteria for, and outturn against agreed Plan of, short-term performance related pay arrangements for Executive Directors⁷ and ~~executives who report directly to members of the Group Chief Executive Officer~~. Executive Director STIP arrangements outturn unless metrics have changed during the Plan year must be approved by the Shareholder.

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

13. **Approve** the outturn for the STIP/LTIP for Executive Directors and only where award quantum, structure and metrics have changed will a recommendation be prepared for the Shareholder to approve.

Exit Packages

13. ~~**Approve for recommendation to the Shareholder** of any exit package that would be in excess of the contractual obligations for the Group Chief Executive and Chief Financial Officer.~~

14. **Approve** the exit package for any individual with a salary above the lowest salary of ~~those executives who report directly to the members of the Group Chief Executive~~⁸, where the exit package would be in excess of contractual obligations.

Pensions

⁶ ~~Executive Director STIP arrangements must be approved by the Shareholder.~~

⁷ ~~Executive Director STIP arrangements must be approved by the Shareholder.~~

⁸ ~~For approval by the Shareholder in the case of the Group Chief Financial Officer.~~

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~~15. **Approve for recommendation to** Where any exit package for an Executive Director is in excess of the contractual obligations of the Executive Director, the **Board**, exit package must be approved by the establishment of (or approval of any agreement to establish) a new pension scheme by any member of the Group⁹.~~

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~~16.14. Have **oversight** of and **approve for recommendation to the Board** any material changes to pension arrangements for Group employees, in particular affecting the rate of contributions required to be made **Committee** for recommendation to the Shareholder.~~

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Remuneration Policy for the Company: Non-Executive Directors

~~17.15. **Approve for recommendation to the Shareholder** the fees for Non-Executive Directors of the Company to the Board, including the Chair as determined by the Shareholder.~~

Remuneration for the Company's Subsidiary Boards¹⁰: Executive

~~18. **Approve** the remuneration package for statutory executive director appointments to the Company Subsidiary Boards¹¹. These elements will form the remuneration package and exit package for an individual in the above group, which may include, but shall not be restricted to:~~

- ~~i. Base salary~~
- ~~ii. Short term incentive (annual bonus)~~
- ~~iii. Long Term Incentive Plan~~
- ~~iv. Pension Provision~~
- ~~v. Benefits such as car or car allowance, private health, holidays~~
- ~~vi. Contractual terms such as notice periods.~~

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~~The recommendations shall align with the Group Remuneration Policy.~~

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~~19. **Approve for recommendation to the Shareholder** the remuneration for 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) and any additional remuneration of any employee (not including any salary arrangements for such employee) of a Subsidiary Company in their capacity as a director of a Group Company¹².~~

~~20. **Review** the contractual terms applicable to executive directors of the subsidiaries such that they adhere to the Group Remuneration Policy.~~

⁹ The establishment (or approval of any agreement to establish) of a new pension scheme by any member of the Group requires Shareholder approval.

¹⁰ Post Office Management Services Limited (Post Office Insurance) and Payzone Bills Payments Limited.

¹¹ Excluding Subsidiary Board appointments which are in addition to an executive's primary role and where no additional remuneration applies.

¹² Under the subsidiary articles, directors are not entitled to remuneration for their services to the Company as directors or for any other service which they undertake in their capacity as a director, unless they are a non-executive director. Directors are entitled to expenses that are reasonably and properly incurred.

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- ~~21. **Review** annually the overall total remuneration of the Senior Group (defined as any members of the Subsidiary Boards) compared both with external market comparators and with the remuneration of other employees in the Group.~~

~~**Remuneration Policy for Subsidiary Boards: Non-Executive Directors¹³**~~

- ~~22. **Approve** the remuneration framework within which the fees for each Non-Executive Director of a Subsidiary Board may be paid where an appointment is recommended by the Nominations Committee.~~
- ~~23. **Review** annually the remuneration framework for Non-Executive fees for the Subsidiary Boards.~~

Engagement

- ~~24.16. **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.~~
- ~~25.17. **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

- ~~26.18. 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.~~
- ~~27.19. **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.~~
- ~~28.20. **Report** on its activities in the Company's annual report and should describe the work of the Committee, in line with the requirements of the UK Corporate Governance Code.~~
- ~~29.21. **Identify** in the annual report any consultants appointed as remuneration consultants, alongside a statement about any other connection it has with the Company or individual directors.~~

D. AUTHORITY

¹³ Section 7.3 of the Framework document. Non-Executive Directors may be appointed for Post Office Management Services Limited, trading as Post Office Insurance.

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~~30-22.~~ 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.

~~31-23.~~ 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.~~

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E. COMPOSITION AND GOVERNANCE

Membership

~~32-25.~~ The Committee Chair¹⁴ 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.

~~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.~~

~~33-28.~~ In the absence of the Committee Chair at any meeting, the Committee members present shall determine who shall chair the Committee.

~~34-29.~~ ~~14~~ The Committee shall consist of at least two independent Non-Executive Directors. If considered independent at the time of appointment, the ~~Chairman~~ Chair of the Company may be a member of the Committee, but shall not chair it.

~~35-30.~~ 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.

¹⁴ The UK Corporate Governance Code 2018, stipulates that Remuneration Committee Chairs should have at least 12 months' experience on a remuneration committee prior to appointment.

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Quorum

~~36.31.~~ Quorum shall be two members. ~~In the absence of the Chair at any meeting, the Committee members present shall determine who shall chair the meeting.~~

Committee Secretary

~~37.32.~~ 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

~~38.33.~~ The Committee shall meet as often as required but at least three times per year.

Governance

~~39.34.~~ Meetings may be held in person or by telephone or other electronic means, so long as all participants can contribute to the meeting simultaneously.

~~40.35.~~ Notice of each meeting shall be given to all those entitled to participate at least three working days before the meeting.

~~41.36.~~ 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.

~~42.37.~~ 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 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.

~~43.38.~~ The Secretary shall provide current and new Committee members with any training, briefings or induction required under the supervision of the Chair.

~~44.39.~~ Only members of the Committee have the right to attend Committee meetings. The Group Chief Executive ~~and~~, 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.

~~45.40.~~ 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.

~~46.41.~~ 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

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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.

47-42. If there should be disagreement between the Remuneration Committee and the full Board, the ~~Chairman~~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

48-43. 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).

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	06/12/2022	3.0	07/12/2022