

Terms of Reference of the Remuneration Committee

The Remuneration Committee (the "Committee") is a Committee of the Post Office Limited Board (the "Board"), from which it derives its authority and to which it reports after each meeting.

1. Role

The Committee's main role is to:

- i) make sure that appropriate group remuneration strategies are in place for PO Limited and its subsidiaries to be able to attract, retain and motivate the executive management required to run the Company successfully¹ without paying more than is necessary
- ii) approve and recommend for approval, where required, the remuneration packages of senior executives and fees for Non-Executive Directors
- iii) recommend for the approval of the Shareholder, the criteria for, and outturn of performance related pay arrangements for Executive Directors and executives who report directly to the Chief Executive (STIP)
- iv) recommend for the approval of the Shareholder, performance related incentive schemes and changes to these for Executive Directors, executives who report directly to the Chief Executive and any other eligible employees (LTIP)
- v) have oversight of the group remuneration strategy for the wider organisation.

2. Responsibilities of the Committee

Remuneration Strategy for PO Limited: Executive

- 2.1 a) To **recommend** to the Board for approval the remuneration strategy for the Chief Executive, executive directors and those executives who report directly to the Chief Executive, taking into account the remuneration policy set for other employees.
- b) To **review** the group remuneration strategy annually and recommend any changes to the Board for approval.
- 2.2 To **approve** the remuneration package in respect of new hires proposed by the Nominations Committee. This shall align with the group remuneration strategy approved by the Board. In the case of the Chief Executive and other

¹ In doing so, regard will be paid to the views of the Shareholder 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.

executive directors, the remuneration package shall, as set out in the paragraph below, be recommended for **approval** by the Shareholder.

2.3 To **recommend** to The Secretary of State for Business, Energy and Industrial Strategy for approval, each element of the total individual remuneration package of the Chief Executive and other executive directors, both existing and for new hires, including any increases in salary (whether or not resulting from company-wide pay increases), pension provision and the outturn of performance related pay arrangements and incentive schemes. The recommendations shall align with the group remuneration strategy approved by the Board.

2.4 To **approve** the elements which will form the remuneration package for an individual in the above group, which may include, but shall not be restricted to:

base salary

short term incentive (annual bonus)

Long Term Incentive Plan

pension provision

benefits such as car or car allowance, private health, holidays

contractual terms such as notice periods.

The recommendations shall align with the group remuneration strategy approved by the Board.

2.5 To keep under **review** the contractual terms applicable to executive directors such that payments adhere to the group remuneration strategy approved by the Board.

2.6 To **receive information** on 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 the Chief Executive.

2.7 To **review** annually the overall total remuneration of the Senior Group (defined as the Chief Executive, executive directors and those executives who report directly to the Chief Executive) compared both with external market comparators and with the remuneration of other employees in the Group.

2.8 a) To **recommend** for approval by the Shareholder the implementation of, or changes to, performance related incentive schemes for the Executive Directors, executives who report directly to the Chief Executive and senior managers eligible to be invited to participate in the Post Office Long Term Incentive Plan (LTIP).

b) To **review** annually the performance related incentive schemes for the executive directors, executives who report directly to the Chief Executive

and senior managers eligible to be invited to participate in the Post Office Long Term Incentive Plan (LTIP).

- 2.9 a) To **recommend** for approval by the Shareholder, the criteria for, and the outturn of, performance related pay arrangements (STIP) for executive directors and executives who report directly to the Chief Executive, subject to authorisation from the Shareholder.
- b) To **review** annually the criteria for, and outturn of, performance related pay arrangements (STIP) for executive directors and executives who report directly to the Chief Executive.
- 2.10 To **receive information** on the total outturn of performance related pay arrangements across the business.
- 2.11 To **approve** the exit package for any individual with a salary above the lowest salary of those executives who report directly to the Chief Executive, where the exit package would be in excess of contractual obligations.
- 2.12 To **undertake** any other function delegated to the Committee by the full Board.

Remuneration for Non-Executive Directors

- 2.13 To **recommend** to the Board for **approval** by the Shareholder fees for Non-Executive Directors of PO Limited.

PO Insurance Board²

Remuneration Strategy PO Insurance: Executive

- 2.14 a) To **approve** the remuneration strategy for PO Insurance on the recommendation of the PO Insurance Board.
- b) To **review** annually the remuneration strategy for PO Insurance following its review by the PO Insurance Board.
- 2.15 To **approve** the remuneration package for executive appointments to the PO Insurance Board on the recommendation of the Nominations Committee. The recommendations shall align with the remuneration strategy for PO Insurance.
- 2.16 To **approve** the elements which will form the remuneration package for an individual in the above group, which may include, but shall not be restricted to:

base salary

² Registered name: Post Office Management Services Limited.

short term incentive (annual bonus)
Long Term Incentive Plan
pension provision
benefits such as car or car allowance, private health, holidays
contractual terms such as notice periods.

- 2.17 To keep under **review** the contractual terms applicable to executive directors of PO Insurance such that they adhere to the remuneration strategy for PO Insurance.
- 2.18 To **review** annually the overall total remuneration of the Senior Group (defined as any members of the PO Insurance Board) compared both with external market comparators and with the remuneration of other employees in the Group.
- 2.19 To **review** annually the criteria for, and the outturn of, performance related pay arrangements for executive directors of the PO Insurance Board. These should align with the remuneration strategy for PO Insurance.

Remuneration Strategy PO Insurance: Non-Executive

- 2.20 a) To **approve** the remuneration framework within which the fees for Non-Executive Directors of the Post Office Insurance Board may be paid where an appointment is recommended by the Nominations Committee.
- b) To **review** annually the remuneration framework for Non-Executive fees for the Post Office Insurance Board.

3. Annual Review

- 3.1 The Committee will undertake an annual review of its own performance and the Terms of Reference and recommend to the Board any necessary changes.

4. Composition and Governance

- 4.1 The Remuneration Committee is constituted as a sub-committee of the Board and its Chairman shall be appointed by the Board. If considered independent at the time of appointment, the Chairman of the Company may be a member of the Committee, but shall not chair it.
- 4.2 Members of the Committee shall be appointed by the Board, acting on the recommendation of the Nominations Committee and in consultation with the Chairman of the Remuneration Committee.
- 4.3 The Committee shall be made up of at least two independent Non-Executive directors. 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.

- 4.4 In the absence of the Chairman of the Committee at any meeting, the Committee members present shall determine who shall chair the meeting.
- 4.5 Members of the Committee will normally serve for a period of three years. Their appointment may be renewed for a further three year period but no director shall serve as a member of the Remuneration Committee for a period of more than six years.
- 4.6 Only members of the Committee have the right to attend Committee meetings. The Chief Executive and the Group HR Director (or the holder of any equivalent position) shall be informed of the date of each meeting and may be invited by the Committee Chairman to attend all or part of any meeting, as and when appropriate.
- 4.7 The Company Secretary shall not be a member of the Committee but shall act as Secretary to the Committee and shall keep minutes and records of each meeting and ensure regular reporting by the Committee to the full Board.
- 4.8 Minutes of each 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.
- 4.9 If so requested by the Board or by the Shareholder, the Committee shall provide an annual report on its activities.
- 4.10 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 HR team.
- 4.11 The Committee shall be authorised to seek any information it requires from any employee of the Company in order to perform its duties.
- 4.12 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.
- 4.13 If there should be disagreement between the Remuneration Committee and the full Board, the Chairman 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.

- 4.14 Training will be provided by the Company for members of the Committee, as required. Such training may take the form of internal briefings, attendance at formal courses and conferences and/or sessions with external advisers.
- 4.15 Members of the Committee shall conduct an annual review of the Committee's performance.

5. Meetings

- 5.1 The Committee shall meet as often as required but not less than three times each year. The Committee may meet in person, by telephone or by other electronic means, so long as each member can contribute to the business of the meeting simultaneously.
- 5.2 The quorum necessary for the transaction of business shall be 2 members.
- 5.3 Meetings may be convened by the Secretary to the Committee, at the request of the Committee Chairman, or by any member of the Committee, at any time.
- 5.4 Notice of each meeting shall be given to all members of the Committee and any other person required to attend, at least 3 working days before each meeting.

Recommended by:	Approved by:	Version:	Effective from:
Remuneration Committee	PO Limited Board	V1	
Remuneration Committee	PO Limited Board	V2	25 March 2015
Remuneration Committee	PO Limited Board	V3	25 November 2015
Remuneration Committee	PO Limited Board	V4	30 October 2018