



2021 incentive approach post Remuneration Committee 1 July 2021

Setting measures and metrics for the 2021/2 STIP and 2021/4 LTIP

Introduction

Context

During May and June there was engagement with members of the Remuneration Committee, UKGI, the PO CEO and other members of the GE to determine appropriate STIP and LTIP measures and metrics for 2021 as well as agree an appropriate Postmaster satisfaction metric for the Transformation Incentive Scheme.

STIP

- a re-balancing of the financial and non-financial measures has been proposed – with 40% financial and 60% non-financial
- EBITDAS has been proposed as the financial measure (previously this had been proposed as a change measure and a cash flow measure)
- appropriate and stretching metrics for the four non-financial measures have been proposed
- a quantum that reflects the level of stretch in the on-target has been proposed

LTIP

- a re-balancing of the financial and non-financial measures has been proposed – with 40% financial and 60% non-financial – focusing on strategic and transformation measures
- four strategic and transformation measures have been proposed with appropriate and stretching metrics proposed:
 - Postmaster promise
 - Systems implementation: delivery
 - Systems implementation: Postmaster adoption
 - Customer and Colleague promises

Transformation Incentive Scheme

- two questions that measure Postmaster satisfaction have been agreed from the January 2021 Postmaster engagement survey and a stretching target has been proposed for inclusion in the Transformation Incentive scheme which will be supported by the delivery of the Postmaster engagement action plan

Reward principles

- Aligned to our mission: a commercial business with a social purpose
- Provide alignment on the importance of building a culture of trust for Postmasters, colleagues and customers
- Appropriately balanced so as to balance the delivery of short-term and long-term goals
- Simple, easy to understand by all
- Motivational, clearly linked to what a colleague is able to influence
- Affordable

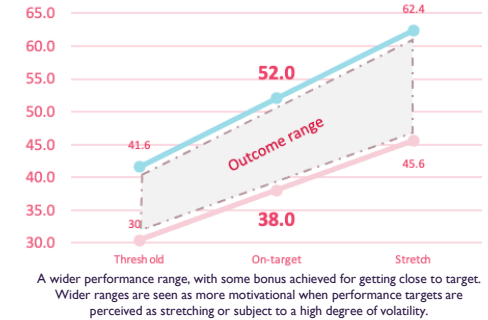
STIP – 2021/2 proposal

Criteria	2021-22 proposal
Gateway criteria	Network access criteria Maintain 11,500 branches (<i>subject to any waiver</i>)
Financial criteria (40%)	EBITDAS (40%) £52m on-target (<i>to be reviewed at mid-year</i>)
Postmaster centric measures (60%)	60% in total 4 measures worth 15% each <ul style="list-style-type: none"> - Postmaster satisfaction - Transaction corrections - Growth in Mails and Banking revenue - Compliance

Financial measure: EBITDAS – on-target £52m (to be reviewed at mid-year)

- The principle is set that on-target is equal to the Board agreed target for 2021/2
- As there is still volatility in the market, there is agreement that these two stretch assumptions would be tracked through the first half of the year, and baseline targets adjusted downwards accordingly, should these revenues not transpire, as part of the mid-year Board sessions, or earlier
- The performance range is set as 80% at threshold to 120% at maximum – increasing on a straight-line basis

Target	Threshold	Target	Stretch
	80%	100%	120%
£38m	£30.4m	£38m	£45.6m
£52m	£41.6m	£52m	£62.4m



Non-financial measures - Postmaster centric measures

Targets have been set with consideration of agreed Board targets (for revenue measures), historic performance (for transaction corrections and compliance) and setting also independent advice (Postmaster satisfaction). For the growth measure, the quantum is derived using the 80-120% principle

Network access criteria
Achievement of the network access criteria is a gateway measure (measured as achieved or not achieved) before any bonus is considered
EBITDAS target review
<ul style="list-style-type: none"> • An updated target of £52m has been submitted against the original target submission of £38m. This includes stretch assumptions added against: <ul style="list-style-type: none"> • FRES (£6m); and • Labels (£8m) • There is agreement that these two stretch assumptions would be tracked through the first half of the year, and baseline targets adjusted downwards accordingly, should these revenues not transpire, as part of the mid-year Board sessions, or earlier.

Measure	Detail	Threshold	Target	Maximum
Postmaster satisfaction (15%)	B1 - "how would you describe your relationship with Post Office"	30%	33%	36%
	B7- "how supported, or not, do you feel from Post Office?"			
Which will be supported by the delivery of the Postmaster engagement action plan. Assessed as the average of the two responses				
Transaction corrections - aged transaction items (15%)	Aged items greater than 60 days Assessed on a straight line basis	1,400 items	1,200 items	1,000 items
Growth in total revenue on 2 core product areas (Mails 7.5% Banking 7.5%)	Growth in Mails revenue Accounts for 50% of measure	£331 m 90% of target	£368 m 2019/20 + new commercials from MDA 2	£405 m 110% of target
	Growth in Banking revenue Accounts for 50% of measure	£190 m 90% of budget	£214 m 100% of budget	£236 m 110% of budget
Level of compliance in a key area – dangerous goods (Inland: 7.5%; International 7.5%)	Inland (Accounts for 50% of measure)	60%	70%	80%
	International (Accounts for 50% of measure)	75%	85%	95%

LTIP – 2021/4 proposal

Criteria	2021-24 proposal	Financial measure: cash flow – on-target £[x]m (to be agreed after the autumn 2021 spending review)																												
Gateway criteria	<p>1) Network access criteria Maintain 11,500 branches (subject to any waiver)</p> <p>2) EBITDAS less change spend positive for FY 2023/4</p>	<ul style="list-style-type: none"> The principle is set that on-target is equal to target, which is anticipated to be agreed after the autumn 2021 spending review As with the the STIP financial measure, the proposal is that the performance range is set at 80 – 120% of target 																												
Financial criteria (40%)	<p>Cash flow (40%) (trading profit plus network subsidy payment less interest, less tax, plus investment funding less change spent (excl. HMBU settlement costs) plus movement in net funding position)</p> <p>Target tbc by Board (Quantum – 80% threshold – 120% maximum)</p>	<table border="1"> <thead> <tr> <th>Cash flow target</th> <th>Threshold</th> <th>Target</th> <th>Stretch</th> </tr> </thead> <tbody> <tr> <td></td> <td>80%</td> <td>100%</td> <td>120%</td> </tr> <tr> <td>[£x]</td> <td>tbc</td> <td>tbc</td> <td>tbc</td> </tr> </tbody> </table>	Cash flow target	Threshold	Target	Stretch		80%	100%	120%	[£x]	tbc	tbc	tbc	<p>Cash flow performance range (80-120%)</p> <p>120% 110% 100% 90% 80%</p> <p>Threshold On-target Stretch</p>															
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Gateway criteria																														
Achievement of the network access criteria and EBITDAS less change spend positive for FY 2023/4 (measured as achieved or not achieved) before any bonus is considered. If change spend is delayed, a rationale for the delay must be provided to the Committee when out-turn for the LTIP is measured.																														
Inquiry progress																														
The committee will take account of the recommendations of the Inquiry and review the progress of the Executive against those recommendations in determining the final outcome of the LTIP (this may need to be included in the 2022-25 LTIP and not this 2021-2024 LTIP dependent on when the Inquiry reports)																														

TI Scheme - the Postmaster satisfaction question

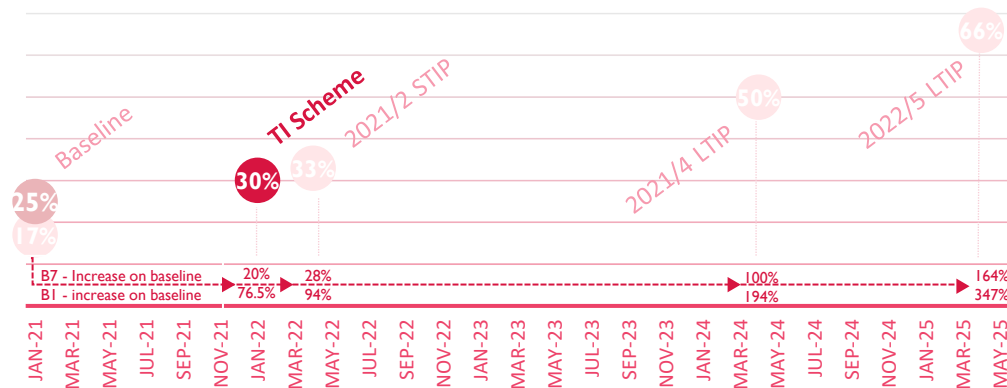
Consideration has been given to an appropriate level of stretch for the Postmaster engagement metric. **Quadrangle’s independent proposal for 2021/2 is a 4% point increase – this would represent fewer than 1 in 3 Postmaster’s expressing satisfaction.**

Purpose of the measure

- The measure is to deliver a step change in Postmaster engagement through delivery of key milestones and metrics aligned as part of the Culture change programme.

Targets presented at GE suggested by Quadrangle	Recommended target - set at around 1/3 Postmaster’s positive
<ul style="list-style-type: none"> BI “how would you describe your relationship with Post Office” increase from 17% to 21% B7 “how supported, or not, do you feel from Post Office? from 25% to 29% 	<p>30% for both measures</p> <p>One-year after the first Postmaster survey, around 1/3 of Postmaster’s are positive about their relationship with Post Office</p>
Which will be supported by the delivery of the Postmaster engagement action plan	

Targeted improvement in Postmaster satisfaction Baseline January 2021 to LTIP outcome April 2024



Measures and metrics already approved by the Remuneration committee		
	Description	Targets
Inquiry (25%)	Delivery of all the required information and support for the Horizon inquiry satisfying the requirements of Sir Wyn Williams, ensuring there is a clear measurable plan created to demonstrate action on improving the overall culture to be Postmaster centric and to ensure processes for Postmasters are addressed in line with recommendations from the inquiry. Any actions or plans must have been endorsed by the inquiry and the board.	<ul style="list-style-type: none"> All required evidence and information supplied on time, with confirmation from Sir Wyn and team that POL’s performance supported and enabled the Inquiry to finish in line with expectations. Deliverables and actions from culture change programme achieved with clear evidence to support this on improvements and overall symbols of change e.g. rhythms and routines, new ways of working, activities undertaken to bring our people closer to Postmasters etc. Clear documented plan on all major operational process, with defined change plans in progress as per recommendations from the Judgements and Inquiry Deliverables from these changes transitioned to BAU with appropriate controls in place External sign-off of IT Audit on HIJ External sign-off of execution of plans instigated by Deloitte work
SPM (25%)	Create a Board approved SPM plan and business case to move off Horizon dependence (first version by 31 March 2021, final by 31 December 2021) and deliver a prototype to operate an ‘express’ proposition fully outside Horizon by 31 January 2022 with ability to subsequently scale across the POL network	<ul style="list-style-type: none"> Prototype express proposition in place by 31 January 2022 Clear understanding and Board approval for the roadmap, major milestones, overall business case and overall programme cost to incrementally stand-up a core IT platform that eventually allows for the retirement of Horizon over the next 3-5 years A functional SPM module, which includes a retailer-facing device and new Postmaster interface, that allows Postmasters to process transactions from the “basic” and “express” propositions without the need of a Horizon terminal A roadmap and timeline for the rollout of that SPM module to 400 new or existing POL locations in order to meet the first business objectives of the Network Strategy Remco to assess whether the investment has been spent wisely.
Organisational design (25%)	Delivery of an improved organisational design and lower cost operating model through the successful implementation of Tranche 1, 2 and Tranche 3 of the organisational change plans. Measured by improving metrics on spans and layers (in accordance with the McKinsey key metrics on spans and layers and best practice), making the organisation flatter and more aligned to the Postmaster.	<ul style="list-style-type: none"> Reduction of net 280 FTE between August 2020 (baseline) and January 2022. NB: This excludes any capability build for IT and Data and any FTE reductions made as a result of the DMB Programme) (subject to shareholder funding and sign off) Average of less than 6 direct reports per manager Less than 15% of the workforce as line managers Maximum 90 examples of grade compression across the structure



Back-up information only

Our reward philosophy and incentive plans

– original discussion document

An overview and how they support the achievement of the business strategic intent, ways of working and the Postmaster priorities

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3. Aligning to priorities

3. Transformation incentive scheme

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Introduction

Context

Our 2025 strategic intent sets our our ambition to be the operator of successful, sustainable, and sought-after franchises and an organisation that colleagues feel proud to work for.

Reward philosophy

Our reward philosophy is an enabler of our people strategy: working in partnership with the business we will invest in attracting, retaining and developing great people to ensure the organisation has the capability to be fit for the future.

It should be based on:

- our strategic intent;
- our priorities; and
- our ways of working.

It should also ground us to our purpose: to be a commercial business with a social purpose.

The link to incentives

Incentives (short-term and long-term) should provide direct alignment to the achievement of priorities, the 2025 intent, and our purpose. Each measure should show a clear link to how each element delivers on these strategic priorities.

It is underpinned by our reward principles, which guide the design and implementation of incentive schemes

Reward principles

- Aligned to our mission: a commercial business with a social purpose
- Provide alignment on the importance of building a culture of trust for Postmasters, colleagues and customers
- Appropriately balanced so as to balance the delivery of short-term and long-term goals
- Simple, easy to understand by all
- Motivational, clearly linked to what a colleague is able to influence
- Affordable

Linking incentives to our 2025 intent

2025 Intent	Incentive	2021	2022	2023	2024
<ul style="list-style-type: none"> We will prioritise strong, trusting and rewarding relationships with all our Postmasters. We will invest in new branch technology for Postmasters and online for their customers. 	TI Scheme	<ol style="list-style-type: none"> Postmaster satisfaction Inquiry Horizon migration OD shape 	-	-	-
	The TI scheme is about resetting the PM relationship, the remediation work around the GLO, a business plan around SPM and OD				
<ul style="list-style-type: none"> We will grow our network, making sure we have the right branches in the right locations nationwide. We will secure free, convenient and reliable access to cash in every community. We will create value for our shareholder with a successful, sustainable and efficient business. 	STIP	<ol style="list-style-type: none"> Network access criteria gateway Financial measure Improvement in PM satisfaction Growth in key business areas 		-	-
<ul style="list-style-type: none"> We will prioritise strong, trusting and rewarding relationships with all our Postmasters. We will invest in new branch technology for Postmasters and online for their customers. We will create value for our shareholder with a successful, sustainable and efficient business. 	LTIP	<ol style="list-style-type: none"> Network access criteria gateway Financial measure gateway Horizon migration Network model design Operational improvements resulting from Inquiry Organisation design end state 			

I. STIP

Short-term incentive plan history and considerations for 2021/2

1. Short-term incentive plan – purpose and history

Purpose

The annual bonus (short-term incentive plan) provides focus to the achievement of the in-year key financial, operational and personal performance objectives and focuses on in-year execution

Eligibility and history

- Management grades at 2b and above are eligible to participate in the annual short term incentive plan
- Subject to the achievement of performance conditions, the STIP is paid in August following the year end
- The 2020 – 21 STIP has been withdrawn for the SLP and GE population and replaced with the TI Scheme. It is still in operation for Band 4 and below, subject to the agreement of the performance condition
- The 2021 – 22 STIP is the first to balance both financial and Postmaster centric objectives – each originally with a proposed weighting of 50% of the total bonus

Criteria	2019 – 20	2020 -21 (Band 4 and below)	2021 – 22 originally proposed	2021-22 proposal for discussion
Gateway criteria	1. Network access criteria – maintain 11,500 branches	1. Network access criteria – maintain 11,500 branches	1. Network access criteria - maintain 11,500 branches 2. EBITDAS affordability gateway – achievement of positive EBITDAS	1. Network access criteria - maintain 11,500 branches
Financial criteria	1) EBITDA (80%) £74m target 2) Change (20%) <i>(measured by the existing agreed criteria)</i>	1) EBITDA (80%) Figure not agreed for bonus purposes. • January 2020: forecast £90m • May 2020: £9m approved • November 2020: £17m 6+6 forecast • Year end actual: £40m trading profit 2) Change (20%) <i>(measured by the existing agreed criteria)</i>	1) Cash Flow (30%) <i>(trading profit plus network subsidy payment less interest, less tax, plus investment funding less change spent (excl. HMBU settlement costs) plus movement in net funding position)</i> Target £bc by Board <small>(Quantum – 80% threshold – 120% maximum)</small> 2) Change (20%) Change <i>(measured by the existing agreed criteria)</i>	1) EBITDAS (40%) £52m (or £38m) target
Postmaster centric measures	No Postmaster centric measures		50% in total 4 measures worth 12.5% each - Postmaster satisfaction - Transaction corrections - Growth in Mails and Banking revenue - Compliance	60% in total 4 measures worth 15% each - Postmaster satisfaction - Transaction corrections - Growth in Mails and Banking revenue - Compliance
Payment	August 2020 <i>(delayed to March 2021 for GE and SLP)</i>	August 2021 <i>(GE and SLP to participate in TIS, payable in January 2022)</i>	August 2022	August 2022
	Historically, the STIP has been focused on purely financial criteria: EBITDAS and change		This year it is proposed that the incentive is re-balanced to mix both financial and strategic measures linked to the Postmaster.	Further context on this proposal is contained in this pack

1. STIP – how the 2021 - 22 original proposal aligns to the priorities

There is broad alignment of the originally proposed measures to the 7 pillars and 6 priorities, but the revision is proposed as we believe there may be an opportunity to focus the alignment more directly, to provide more emphasis on Post Office being a social purpose business and also directly link to the reward principles.

Criteria		2021 – 22 proposed	
	Measure	Alignment – 7 pillars	Alignment – 6 priorities
Gateway criteria	1. Network access criteria – maintain 11,500 branches	7. We will create value for our shareholder with a successful, sustainable and efficient business 2. We will grow our network, making sure we have the right branches in the right locations nationwide.	2. Growing commercially
	2. EBITDAS affordability gateway - achievement of positive EBITDAS		
Measures			
	Measure	Alignment – 7 pillars	Alignment – 6 priorities
Financial criteria	Cash flow	7. We will create value for our shareholder with a successful, sustainable and efficient business	2. Growing commercially
	Change	5. We will build commercial partnerships, to launch new products and services in our branches and online. 7. We will create value for our shareholder with a successful, sustainable and efficient business	2. Growing commercially
Postmaster centric measures	Satisfaction improvement	1. We prioritise strong, trusting and rewarding relationships with all our Postmasters.	6. Involving Postmaster
	Transaction corrections - aged transaction items	1. We prioritise strong, trusting and rewarding relationships with all our Postmasters.	6. Involving Postmaster
	Growth in total revenue on 2 core product areas (Mails and Banking)	3. We will innovate in Mails, working with more carriers and delivering more of what customers want and small businesses need. 4. We will secure free, convenient and reliable access to cash in every community.	2. Growing commercially
	Level of compliance in a key area – dangerous goods		

1. STIP – 2021 - 22 original proposal detail

- At the Remuneration Committee in February 2021 the measures for the 2021-2 STIP were agreed as below, with suggested metrics proposed at the April 2021 Committee meeting.
- Subsequent work has been carried out to review the appropriateness of the measures, their weighting and the proposed metrics.
- It is recommended to change the balance of financial and non-financial measures and to change the financial criteria to more closely align the annual bonus with the Postmaster priorities and our social purpose.

Criteria	April 2021 proposal			
Gateway criteria	<ol style="list-style-type: none"> 1. Network access criteria – maintain 11,500 branches 2. EBITDAS affordability gateway - achievement of positive EBITDAS 			
Measures and metrics as proposed at the April 2021 Remuneration Committee meeting				
	Measure and weighting	Threshold	Target	Maximum
Financial criteria (50%)	Cash flow (30%)	80% of Board target	100% of Board target	120% of Board target
	Change (20%)	Based on existing agreed criteria		
Postmaster centric measures (50%)	Satisfaction improvement (12.5%)	Maintain current level	+1%	2%
	Transaction corrections - aged transaction items (12.5%)	1,300	1,200	1,100
	Growth in total revenue on 2 core product areas (Mails and Banking) (12.5%)	80% of Board target	100% of Board target	120% of Board target
	Level of compliance in a key area – dangerous goods (12.5%)	Inland 60% International 80%	Inland 70% International 85%	Inland 75% International 90%

1. STIP – 2021 - 22 weightings considerations

Gateway criteria

- Consideration could be given to whether EBITDAS is an appropriate gateway measure, or could return to a financial measure
- No change considered for network access criteria measure

Financial criteria

- In previous years, the whole bonus was based on financial measures with no focus on the Postmaster or Post Office’s social purpose.
- Change is difficult measure to define or explain simply. Consideration could be given to the relevance of this measure for bonus purposes and how colleagues can track, influence and be motivated by this measure

Postmaster centric measures

- Whilst 2021-2 is the first year to introduce Postmaster centric measures, there may be an opportunity to place more weighting on these measures, to reflect the strategic focus on the Postmaster. They are currently weighted equally with the financial measures.
- Weighting Postmaster centric measures higher than financials may positively reinforce that the Postmaster is at the centre of strategic plan

Recommendation

Current proposed measures and weighting	
	Measure and weighting
Financial criteria (50%)	Cash flow (30%)
	Change (20%)
Postmaster centric measures (50%)	Satisfaction improvement (12.5%)
	Transaction corrections - aged transaction items (12.5%)
	Growth in total revenue on 2 core product areas (Mails and Banking) (12.5%)
	Level of compliance in a key area – dangerous goods (12.5%)



	Option 1 <i>Re-balance the mix between financial and Postmaster centric measures and remove the change measure</i>	Option 2 <i>Rebalance, consider change measure, consider new strategic measures</i>	Option 3 <i>Re-balance, replace the financial measures with EBITDAS</i>	Option 4 <i>Keep the financial and strategic elements balance the same</i>
	Measures and weighting			
Financial criteria	Cash flow (25%)	EBITDAS (40%) <i>(with a clear definition of what EBITDAS is)</i>	EBITDAS (25%)	EBITDAS (50%)
Postmaster centric measures	Strategic (75%) <ul style="list-style-type: none"> • Four individual measures each weighted 18.75% each 	Strategic (60%) <ul style="list-style-type: none"> • Four individual measures each weighted 15% each; or • Four individual measures with a slight upweighting to the Postmaster satisfaction measure (22.5% PM / 12.5% for the remaining three) 	Strategic (75%) <ul style="list-style-type: none"> • Four individual measures each weighted 18.75% each 	Strategic (50%) <ul style="list-style-type: none"> • Four individual measures each weighted 12.5% each; or • Four individual measures with a slight upweighting to the Postmaster satisfaction measure (20% PM / 10% for the remaining three)

The growth in revenue is partly a financial measure, but there is a correlation to improved Postmaster remuneration by focusing on this measure

1. STIP – Considerations on setting the EBITDAS target

On-target - £52m (to be reviewed at mid-year)

- The principle is set that on-target is equal to the Board agreed target for 2021/2
- The original proposal of £38m was considered to be too pessimistic and an updated target of **£52m** has been submitted with stretch assumptions added against:
 - FRES (£6m); and
 - Labels (£8m)
- As there is still volatility in the market, there is agreement that these two stretch assumptions would be tracked through the first half of the year, and baseline targets adjusted downwards accordingly, should these revenues not transpire, as part of the mid-year Board sessions, or earlier.

EBITDAS target	Threshold		Target	Stretch	
	80%	90%	100%	110%	120%
£38m	£30.4m	£34.2m	£38m	£41.8m	£45.6m
£52m	£41.6m	£46.8m	£52m	£57.2m	£62.4m

Threshold

- Threshold is typically set around 5 - 20% below on-target
- Factors that influence the setting of a threshold usually depend on the considered stretch in the on-target, and how much of the bonus is payable at threshold. Somewhere between 10-25% of the maximum amount of bonus is typical to pay at threshold performance.

Stretch

- With a profit target, 110-120% of on-target is a typical stretch range
- Stretch is typically set with consideration to how challenging the on-target is considered to be and with the likely variability of the outcome
- Stretch targets can be set either as a straight line, or other shape (such as a “dog-leg” which accelerates more payment for over target performance)

Option 2

Re-balance, replace the financial measures with EBITDAS

Measure and weighting

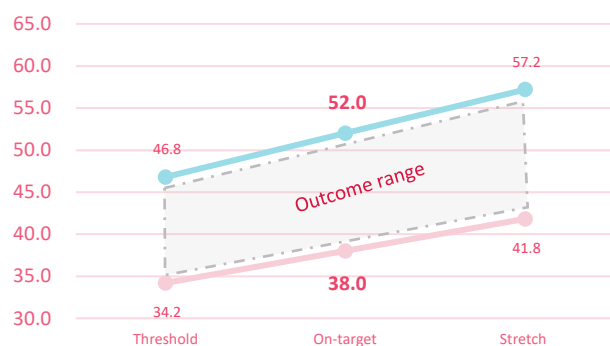
Financial criteria (40%)

EBITDAS

Postmaster centric measures (60%)

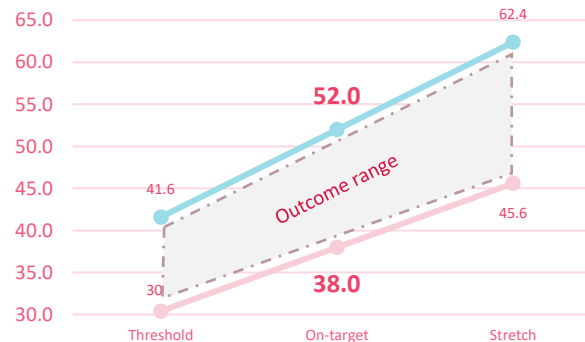
- Strategic (60%)
- Four individual measures each weighted 15% each; or
 - Four individual measures with a slight upweighting to the Postmaster satisfaction measure (22.5% PM / 12.5% for the remaining three)

Straight line (90-110% of target)



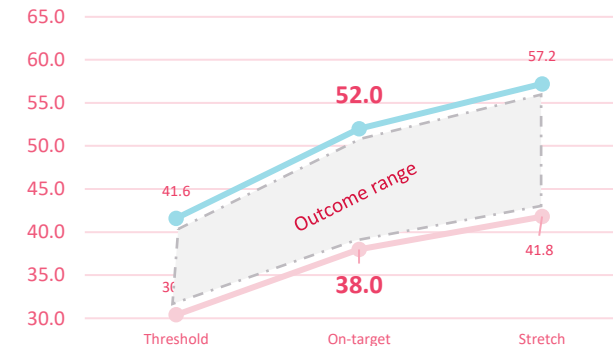
A narrow performance range, with “a near miss” needed to achieve threshold. Narrow ranges are typically used where there is a higher degree of predictability in the performance outcome.

Straight line (80 – 120% of target)



A wider performance range, with some bonus achieved for getting close to target. Wider ranges are seen as more motivational when performance targets are perceived as stretching or subject to a high degree of volatility.

Dog-leg (80 – 110% of target)



A narrower performance range than 80-120%, used when targets may be perceived as stretching. Pays a greater percentage of bonus for above target delivery so that the maximum available is available sooner.



Recommendation

1. STIP – 2021 - 22 proposal

Postmaster centric measures target setting considerations 1 of 3

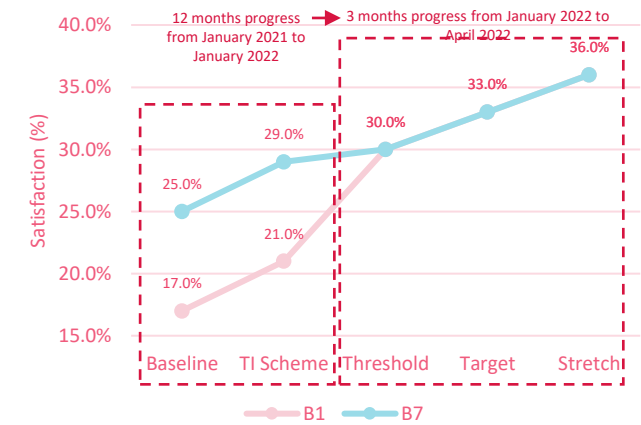
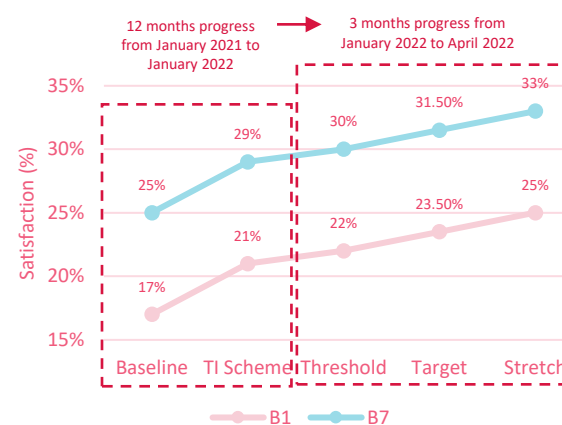
It is recommended to align the STIP Postmaster centric measure to the same Postmaster measure that has been proposed for the TI Scheme (see section 3). As this is the first year for measuring Postmaster satisfaction, this year is the baseline. There is no other comparable historical information available

Postmaster satisfaction

- By aligning the Postmaster centric measure means that there is cohesion through both schemes that are directly aligned to the intent and the priorities
- Focus for the STIP 2021/2 would be on further improvement on the TI Scheme performance for the Postmaster centric measures and would be measured in March/April 2022.
- For the Transformation Incentive scheme, a Postmaster satisfaction measure has been proposed, based on two questions (with the baseline derived from the first results (January 2021))
 - B1 “how would you describe your relationship with Post Office” - baseline 17%**
 - B7 “how supported, or not, do you feel from Post Office?” – baseline 25%**

Discussion on where to set the TI Scheme target is contained in section 3.

- Quadrangle, who conducted the survey and remain independent, have proposed targets for an improvement on both questions – B1 to 21% (4% point / 23.5%) and B7 to 29% (4% point / 16%)
- These have been considered for appropriateness of setting STIP targets (as well as the TI Scheme in section 3)
- Quadrangle proposed targets are considered by Quadrangle to be challenging but achievable **Option 1** – continued improvement straight line from TI to threshold, stretch is equal to the same percentage improvement as in the past year (4% points) and target set at the mid-point
- Option 2 – target set at 1/3 Postmasters (with a 10% / 3% point difference either way for threshold and stretch)
- Achievement will be assessed as the average of the two questions



Baseline	Quadrangle target for year one	2021/2 STIP – option 1			2021/2 STIP – option 2		
		Threshold	Target	Stretch	Threshold	Target	Stretch
January 2021	January 2022	Measurement taken: April 2022					
B1 – 17%	B1 – 21%	B1 – 22%	B1 – 23.5%	B1 – 25%	B1 – 30%	B1 - 33%	B1 – 36%
+ 4% point movement in 12 months (total increase equivalent to 23.5%)		+5% point on January baseline (equivalent to 29%)	+ 6.5% point improvement (equivalent to a 38% total increase)	+ 8% point improvement (equivalent to a 47% total increase)	Target is set at 33% - 1 in 3 Post Masters describing a positive relationship with Post Office (representing a 94% increase on baseline)		
B7 – 25%	B7 – 29%	B7 – 30%	B7 – 31.5%	B7 – 33%	B7 – 30%	B7 - 33%	B7 – 36%
+ 4% point movement in 12 months (total increase equivalent to 16%)		+ 5% point improvement on January baseline (equivalent to 20%)	+ 6.5% point improvement (equivalent to 26% total increase)	+ 8% point improvement (equivalent to 32% total increase)	Target is set at 33% - 1 in 3 Post Masters describing they are supported by Post Office (representing a 32% increase on baseline)		

Which will be supported by the delivery of the Postmaster engagement action plan

1. STIP – 2021 - 22 proposal

Postmaster centric measures target setting considerations 2 of 3

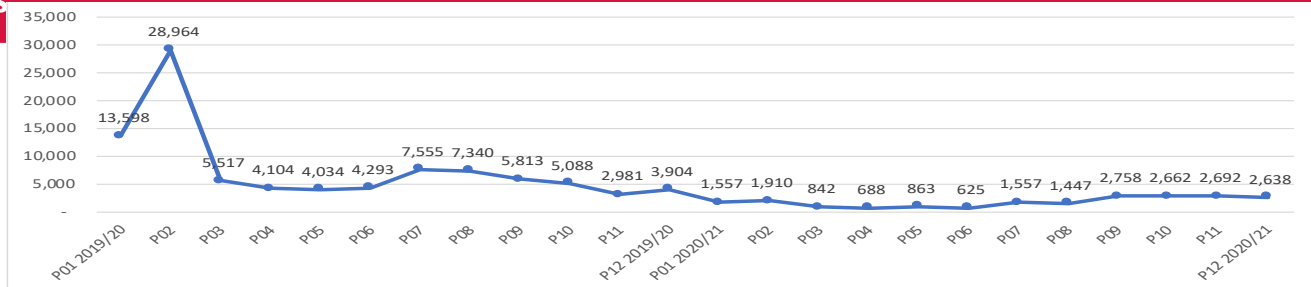
Growth in revenue: Banking and Mails

- On target is proposed at the same figure agreed by the Board, of
 - Threshold**
 - Banking - £190m (90% of Budget)
 - Mails - £331 (90% of target)
 - Target** - 100% of the Board agreed targets:
 - Banking - £214m (100% of Budget)
 - Mails - £368m (2019/20 + new commercials from MDA2)
 - Maximum**
 - Banking - £236m (110% of Budget)
 - Mails - £405m (110% of target)
- 2020/1 year end figures were heavily impacted by the impacts of trading during Covid-19:
 - Banking - £190.1m (+£51.8m / +37% YoY)
 - Mails - £398.7m (+£52.7m / +15% YoY)
- Assessment will be split 50/50 between Mails and Banking

		P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12	Total
Banking	FY19/20	9,370,651	9,635,766	9,032,929	9,813,521	9,536,713	9,355,589	9,698,849	9,568,168	9,422,738	18,246,292	17,876,079	17,538,137	139,095,433
	FY20/21	13,311,795	14,299,408	15,751,754	17,201,734	16,805,397	17,485,948	17,033,231	15,841,779	16,002,979	15,312,849	15,380,543	16,465,600	190,893,014
	YOY var	3,941,144	4,663,642	6,718,825	7,388,213	7,268,684	8,130,359	7,334,382	6,273,610	6,580,241	-2,933,443	-2,495,537	-1,072,537	51,797,582
	YOY %	42%	48%	74%	75%	76%	87%	76%	66%	70%	-16%	-14%	-6%	37%
Mails	FY19/20	31,444,443	25,169,338	26,084,938	31,166,221	24,561,778	25,557,553	32,758,994	29,276,037	37,436,791	31,216,030	25,884,320	25,448,407	346,004,848
	FY20/21	26,831,075	27,444,333	29,578,813	36,777,689	27,210,140	27,600,312	37,504,929	35,919,250	48,536,451	37,369,636	32,517,260	31,429,140	398,719,028
	YOY var	-4,613,368	2,274,995	3,493,876	5,611,468	2,648,362	2,042,759	4,745,935	6,643,213	11,099,660	6,153,606	6,632,940	5,980,733	52,714,180
	YOY %	-15%	9%	13%	18%	11%	8%	14%	23%	30%	20%	26%	24%	15%

Level of compliance in a key area – dangerous goods

- On-target represents a 29% improvement on the 2020/21 12 month mean
 - Threshold is proposed at 1,400 items** (17% improvement on 20/21)
 - On target is proposed at 1,200 items** (29% improvement on 20/21)
 - Maximum is proposed at 1,000 items** (59% improvement on 20/21)
- Data from the last 2 years shows a 12 month mean of:
 - 2019/22 - 7,766 items
 - 2020/21 - 1,687 items

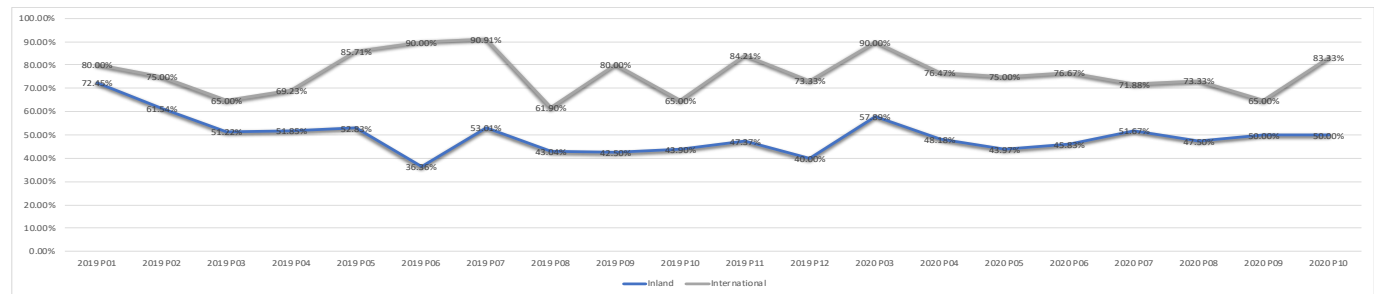


1. STIP – 2021 - 22 proposal

Postmaster centric measures target setting considerations 3 of 3

Improvement in a key area of compliance – dangerous goods

- On target is proposed at:
 - Inland - 70%
 - International – 85%
- Data is available to P10 2020 where the mean YTD was:
 - 49% inland
 - 76.46% international
- Assessment will be split 50/50 between Inland and International



2. LTIP

Long-term incentive plan history and a reminder of the proposal for 2021/4

2. LTIP – purpose and history

Purpose

To reward and retain key executives and senior managers on the achievement of the achievement of strategic longer-term targets linked to transformation and sustainability as well as a healthy growth of the business.

Eligibility and history

- Senior management grades (SLP and the GE) are eligible to participate in the LTIP
- The LTIP term is 3 years, with outturn based on year 3 targets and is typically paid in the August following the year-end of the third year
- The plan was withdrawn for 2020-23
- For 2021-24, the LTIP proposal was to include non-financial metrics for the first time

Criteria	2018 – 21	2019 – 22	2020 -23	2021 – 24 originally proposed	2021 – 24 proposal for discussion
Gateway criteria	1. Network access criteria – 11,500	1. Network access criteria – 11,500	LTIP withdrawn	1. Network access criteria – 11,500 2. EBITDAS affordability gateway - achievement of positive EBITDAS	1. Network access criteria – 11,500 2. EBITDAS affordability gateway - achievement of positive EBITDAS less change spend
Financial criteria	EBITDA (100%) £90m based on FY20/21 results 80% threshold (£72m) and 120% stretch (£108m)	EBITDA (100%) £110m based on FY21/22 results 85% threshold (93.5m) and 115% stretch (£126.5m)		Cash flow (50%) <i>(trading profit plus network subsidy payment less interest, less tax, plus investment funding less change spent (excl. HMBU settlement costs) plus movement in net funding position)</i> Target £bc by Board <small>(Quantum – 80% threshold – 120% maximum)</small>	Cash flow (40%) <i>(trading profit plus network subsidy payment less interest, less tax, plus investment funding less change spent (excl. HMBU settlement costs) plus movement in net funding position)</i> Target £bc by Board <small>(Quantum – 80% threshold – 120% maximum)</small>
Strategic measures	No strategic measures			50% in total 4 measures worth 12.5% each - Metrics relating to the Inquiry - Horizon migration - Organisational design - Network model design	60% in total 4 measures worth 15% each - Postmaster Satisfaction - Systems implementation: delivery - Systems implementation: Postmaster adoption - Customer and Colleague promises
Payment	August 2021 Target not achieved	August 2022 Target to be reviewed <i>Agreement, that if business plans change by more than 10% either way, the target is replaced by the 5YP number in March 2020</i>		August 2024	August 2024

Historically, the LTIP has been focused on purely financial criteria: EBITDA

This year it is proposed that the incentive is re-balanced to mix both financial and strategic.

POST OFFICE

2. LTIP – how the 2021 - 24 proposal aligns to the priorities

Criteria	2021 – 24 proposed		
	Measure	Alignment – 7 pillars	Alignment – 6 priorities
Gateway criteria	<ol style="list-style-type: none"> Network access criteria – maintain 11,500 branches EBITDAS affordability gateway - achievement of positive EBITDAS less change spend 	<ol style="list-style-type: none"> We will create value for our shareholder with a successful, sustainable and efficient business We will grow our network, making sure we have the right branches in the right locations nationwide. 	<ol style="list-style-type: none"> Growing the network
Measures			
	Measure	Alignment – 7 pillars	Alignment – 6 priorities
Financial criteria	Cash flow	<ol style="list-style-type: none"> We will create value for our shareholder with a successful, sustainable and efficient business 	<ol style="list-style-type: none"> Growing commercially
Postmaster centric measures	Postmaster promise	<ol style="list-style-type: none"> We prioritise strong, trusting and rewarding relationships with all our Postmasters. 	<ol style="list-style-type: none"> Rebuilding trust Supporting each other Involving Postmaster
	Systems implementation - delivery	<ol style="list-style-type: none"> We will invest in new branch technology for Postmasters and online for their customers. 	<ol style="list-style-type: none"> Transformation IT
	Systems implementation – Postmaster adoption	<ol style="list-style-type: none"> We will create value for our shareholder with a successful, sustainable and efficient business. 	<ol style="list-style-type: none"> Transformation IT Supporting each other Involving Postmaster
	Customer and colleague promises	<ol style="list-style-type: none"> We prioritise strong, trusting and rewarding relationships with all our Postmasters. 	<ol style="list-style-type: none"> Rebuilding trust Supporting each other Involving Postmaster

2. LTIP – 2021 – 24 proposal

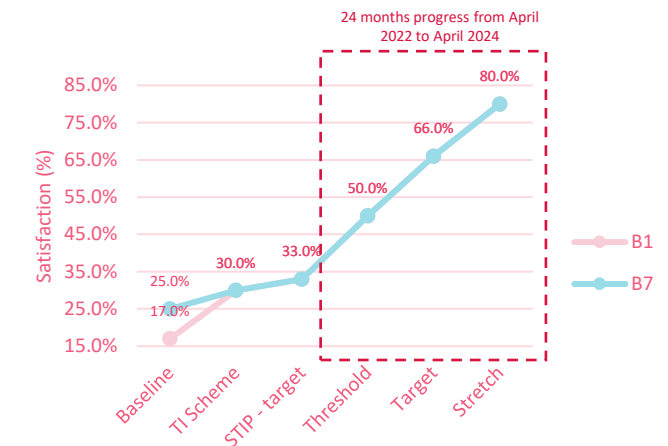
Criteria	2021 – 24 proposed			
Gateway criteria	1. Network access criteria – 11,500 <i>(subject to be any waiver)</i> 2. EBITDAS affordability gateway – Post Office EBITDAS less change spend positive . <i>If change spend is delayed, a rationale for the delay must be provided so that the committee can exercise discretion.</i> <i>(to be agreed – potentially November 2021 post government spending review).</i>			
Measures				
	Measure and weighting	Threshold	Target	Maximum
Financial criteria (40%)	Cash flow	80% of Board target	100% of Board target	120% of Board target
Strategic and transformational criteria (60%)	Postmaster promise (15%)	50%	66%	80%
	Systems implementation: delivery (15%)	Outstanding branches represent less than 10% of estate and have an implementation date in the next 3-6 months	All branches	All branches completed by the end of 2023
	Systems implementation: Postmaster adoption (15%)	70%	80%	90%
	Customer and Colleague promises (15%)	tbc	tbc	tbc

2. LTIP – consideration of including Postmaster satisfaction into the 2021/4 LTIP

Postmaster satisfaction

- Consideration has been given to including the same Postmaster satisfaction measure into the STIP as is included in the Transformation Incentive scheme to provide cohesion and focus
- This measure could also be included into the LTIP
- Optically, the performance improvement in the Postmaster satisfaction, measured by both the TI Scheme and STIP is low. The starting position is very low, and the scale of the challenge to make a meaningful increase hard.
- By measuring this over the longer term, a more meaningful increase should be achievable – reflective of three years of focus

- The principles for target setting:**
- Positive sentiment from 1 in 3 Postmaster’s has been considered for the STIP (measured in April 2022)
 - For the LTIP (measured 2 years later in April 2024) the following has been considered:
 - Threshold – half of all Postmasters
 - Target – 2 in 3 Postmaster’s
 - Stretch – the same delta between threshold and target (14% points) applied to stretch



Baseline	Quadrangle targets for one year	2021/2 STIP proposal – option 1			2021/2 STIP proposal – option 2			2021/4 LTIP consideration		
		Threshold	Target	Stretch	Threshold	Target	Stretch	Threshold	Target	Stretch
January 2021	January 2022	Measurement taken: April 2022						Measurement taken: April 2024		
B1 – 17%	B1 – 21%	B1 – 22%	B1 – 23.5%	B1 – 25%	B1 – 30%	B1 - 33%	B1 – 36%	B1 – 50%	B1 – 66%	B1 - 80%
+ 4% point movement in 12 months (total increase equivalent to 23.5%)		+5% point on January baseline (equivalent to 29%)	+ 6.5% point improvement (equivalent to a 38% total increase)	+ 8% point improvement (equivalent to a 47% total increase)	Target is set at 33% - 1 in 3 Post Masters describing a positive relationship with Post Office (representing a 94% increase on baseline)			January 2021 baseline + 33% point increase	January 2021 baseline 49% point increase	January 2021 baseline + 63% point increase
B7 – 25%	B7 – 29%	B7 – 30%	B7 – 31.5%	B7 – 33%	B7 – 30%	B7 - 33%	B7 – 36%	B7 – 50%	B7 - 66%	B7 - 80%
+ 4% point movement in 12 months (total increase equivalent to 16%)		+ 5% point improvement on January baseline (equivalent to 20%)	+ 6.5% point improvement (equivalent to 26% total increase)	+ 8% point improvement (equivalent to 32% total increase)	Target is set at 33% - 1 in 3 Post Masters describing they are supported by Post Office (representing a 32% increase on baseline)			January 2021 baseline + 25% point increase	January 2021 baseline + 41% point increase	January 2021 baseline + 55% point increase

Which will be supported by the delivery of the Postmaster engagement action plan



2. LTIP – 2022 – 25 early thoughts for plan design

Consideration for future LTIP design could focus on how the brand builds trust. Equally weighted external and internal considered measures could be explored: for example, customer satisfaction, employee satisfaction and Postmaster satisfaction as well as an ESG related measure(s)

Criteria	Measure	Consideration
Gateway criteria	<ol style="list-style-type: none"> Network access criteria EBITDAS less change spend affordability gateway 	<ol style="list-style-type: none"> Access to the network remains an important gateway for all incentives Post Office being profitable ensures affordability for schemes and creates value for the Shareholder
Measures		
Financial criteria (40%)	For example, Cash flow	A financial measure, such as cash flow, remains an important measure to ensure long term financial stability
Strategic measures – brand trust (45%)	Customer promise (NPS)	Post Inquiry, strengthening the brand for the consumer, the Postmaster and colleagues should become an important focus for the leadership group – a balance of metrics across these three areas will help provide focus
	Postmaster promise (Quadrangle metrics)	
	People promise (Colleague NPS/engagement metric)	
Strategic measures: ESG (15%)	An environmental, social or other governance measure	All businesses are considering their ESG goals, and it is important that Post Office clearly signals it's intent as both a social purpose organisation and as a business with Government as a shareholder

3. The Transformation Incentive

A reminder of the measures and progress against those measures

3. The transformation incentive – a summary

History

- The TI scheme was introduced to replace the 2020-21 STIP.
- Consideration was given to the appropriateness and affordability of launching incentives in the middle of the global pandemic, and the ability to remove any "entitlement" to an annual bonus. It was considered important to find a way to incentivise the leadership team to deliver the transformation agenda.
- In addition, the following were also considered as key principles:
 - alignment to the required culture changes at Post Office;
 - changing employee mindset in respect of an entitlement to incentive payments;
 - market and economic conditions;
 - communicating the alignment between reward/incentives and business performance;
 - reinforcing links to business strategy and the business transformation plans; and
 - consider possible impacts on employee engagement, and retention and loss of corporate memory issues.

Measures

- Four measures were set: with each being independently assessed
- The metrics for three have been approved by the Remuneration Committee, with one relating to Postmaster satisfaction outstanding

Eligibility and further approval

- Senior management grades (SLP and the GE) are eligible to participate in the TI scheme. Other colleagues remain eligible for the 2020/1 STIP
- The eligibility period is April 2020 to March 2021, with the final performance assessment conducted in January 2022. Any payment is deferred until March 2022
- Approval for Ministerial grades (the CEO and CFO) is outstanding as of June 2021 – subject to the Remuneration Committee approving the Postmaster satisfaction measure

3. Transformation incentive scheme – overview

The TI scheme has four measures, that are assessed independently of each other, to pay out in March 2022. With the exception of the Postmaster metric, the metrics were approved by the Committee in December 2020.

Criteria	
Gateway criteria	Network access criteria – maintain branch network of at least 11,500 branches (or in line with any agreed waiver with the shareholder)
Measures	
Focus area	Description
Postmaster engagement (25%)	Delivery of a step change in Postmaster engagement through delivery of key milestones and metrics aligned as part of the Culture change programme. Measure the effectiveness through delivery of top priority areas identified from the feedback and ensure this represents a significant change by January 2022 vs. the existing feedback from the Postmaster Consultation with Quadrangle.
Inquiry (25%)	Delivery of all the required information and support for the Horizon inquiry satisfying the requirements of Sir Wyn Williams, ensuring there is a clear measurable plan created to demonstrate action on improving the overall culture to be Postmaster centric and to ensure processes for Postmasters are addressed in line with recommendations from the inquiry. Any actions or plans must have been endorsed by the inquiry and the board.
SPM (25%)	Create a Board approved SPM plan and business case to move off Horizon dependence (first version by 31 March 2021, final by 31 December 2021) and deliver a prototype to operate an ‘express’ proposition fully outside Horizon by 31 January 2022 with ability to subsequently scale across the POL network
Organisational development (25%)	Delivery of an improved organisational design and lower cost operating model through the successful implementation of Tranche 1, 2 and Tranche 3 of the organisational change plans. Measured by improving metrics on spans and layers (in accordance with the McKinsey key metrics on spans and layers and best practice), making the organisation flatter and more aligned to the Postmaster.

3. Transformation incentive scheme – revision April 2021

For the Remuneration Committee meeting in April 2021, the Postmaster measure was proposed and a revision to the organisational development measure was proposed. Further consideration around the appropriate stretch of the Postmaster engagement metric has been considered.

Measures		
Focus area	December 2020	April 2021
Postmaster engagement	<p>Measure the effectiveness through delivery of top priority areas identified from the feedback and ensure this represents a significant change by January 2022 vs. the existing feedback from the Postmaster Consultation with Quadrangle.</p> <p>The proposed measures (the top 3 from the survey) were to be agreed with the Committee following the survey completion.</p>	<p>The Postmaster survey was completed in January 2021. The top area identified was "increase Postmaster remuneration". The next two areas identified were "B1: how would you describe the relationship you have with Post Office?" and " B2: how supported, or not, do you feel from Post Office?"</p> <p>The proposal was a 10% improvement on the baseline on both questions (B1 from 17% to 18.7% and B7 from 25% to 27.5%)</p>
Organisational design	<p>Delivery of an improved organisational design and lower cost operating model through the successful implementation of Tranche 1, 2 and Tranche 3 of the organisational change plans. Measured by improving metrics on spans and layers (in accordance with the McKinsey key metrics on spans and layers and best practice), making the organisation flatter and more aligned to the Postmaster.</p> <p>The agreed measures were:</p> <ul style="list-style-type: none"> • Reduction of headcount of 350 roles • Average of fewer than 6 direct reports per manager • Fewer than 15% of the workforce at line managers • A maximum of 120 examples of grade compression 	<p>A reduction in the targets was proposed at the April 2021 Committee meeting due to the reduced funding available for the enablement and the lack of funding for redundancy in the 2021/2 year.</p> <p>The proposal was to adjust two measures:</p> <ul style="list-style-type: none"> • Reduction in headcount adjusted by 20% from 350 roles to 280 roles • Increase in the % of workforce as managers from 15% to 16%

Agreeing the Postmaster satisfaction question

Consideration has been given to an appropriate level of stretch for the Postmaster engagement metric. Quadrangle’s independent proposal for 2021/2 is a 4% point increase – this would represent fewer than 1 in 3 Postmaster’s expressing satisfaction.

Purpose of the measure

- The measure is to deliver a step change in Postmaster engagement through delivery of key milestones and metrics aligned as part of the Culture change programme.
- It will be measured through delivery of top priority areas identified from the feedback and ensure this represents a significant change by January 2022 vs. the existing feedback from the Postmaster Consultation with Quadrangle.

Questions measured and January 2021 baseline

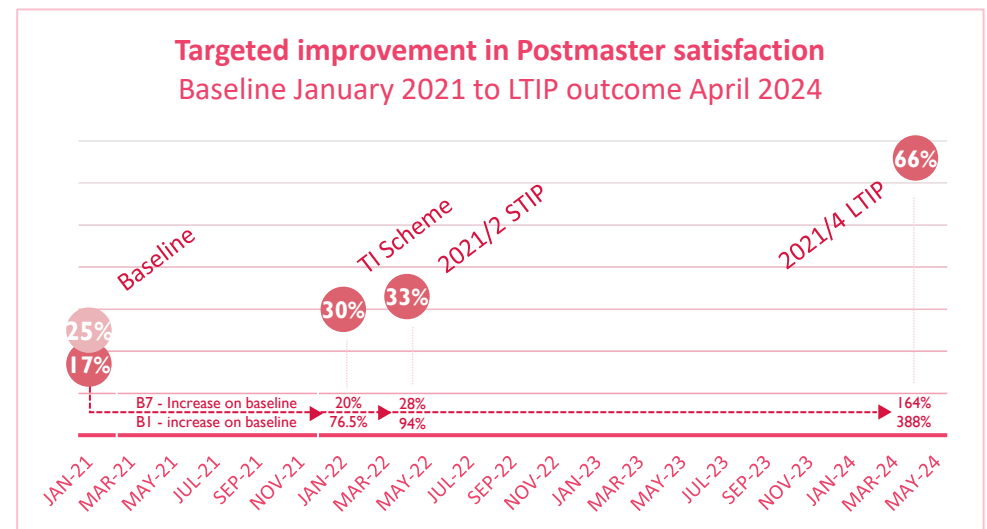
- Two questions have been selected to be tracked for the TI Scheme and will also be used to measure progress for the 2021/2 STIP and 2021/4 LTIP
 - B1 “how would you describe your relationship with Post Office” (January 2021 - 17%)
 - B7 “how supported, or not, do you feel from Post Office? (January 2021 - 25%)
- The sample size for the January 2021 survey was 1,754

Recommendation

- It is proposed to set the target for both questions at **30%**
- The same measures are proposed for the 2021/2 STIP and also 2021/4 LTIP
 - 2021/2 STIP target – 33%
 - 2021/4 LTIP target - 66%
- Setting the TI Scheme target just below the proposed target for the 2021/2 STIP allows for further improvement between January 2022 and the end of Q4 2021/2
- Consideration has been given to Postmaster sentiment about MDA2 and remuneration more generally, which it is anticipated will affect the September check-in on sentiment.
- Which will be supported by the delivery of the Postmaster engagement action plan

Targets presented at GE suggested by Quadrangle	Target at around 1/3 Postmaster’s positive
<ul style="list-style-type: none"> • B1 “how would you describe your relationship with Post Office” increase from 17% to 21% • B7 “how supported, or not, do you feel from Post Office? from 25% to 29% 	<p>30% for both measures</p> <p>One-year after the first Postmaster survey, around 1/3 of Postmaster’s are positive about their relationship with Post Office</p>

Which will be supported by the delivery of the Postmaster engagement action plan



3. Transformation incentive scheme – measuring progress

Measures				
Focus area	Description	Targets	Progress to date	R/A/G
Postmaster engagement (25%)	Delivery of a step change in Postmaster engagement through delivery of key milestones and metrics aligned as part of the Culture change programme. Measure the effectiveness through delivery of top priority areas identified from the feedback and ensure this represents a significant change by January 2022 vs. the existing feedback from the Postmaster Consultation with Quadrangle.	Improvement to around 1 in 3 Postmaster’s positive sentiment in: B1 “how would you describe your relationship with Post Office” increase from 17% to 30% B7 “how supported, or not, do you feel from Post Office? : from 25% to 30%	<ul style="list-style-type: none"> Postmaster survey completed in Jan 2021 The top area identified were considered difficult to impact (i.e. increase PM remuneration), so recommendation to measure the next most important areas by two specific questions (B1 and B7) Recommendation to measure quarterly to track progress up to January 2022 	tbc
Inquiry (25%)	Delivery of all the required information and support for the Horizon inquiry satisfying the requirements of Sir Wyn Williams, ensuring there is a clear measurable plan created to demonstrate action on improving the overall culture to be Postmaster centric and to ensure processes for Postmasters are addressed in line with recommendations from the inquiry. Any actions or plans must have been endorsed by the inquiry and the board.	<ul style="list-style-type: none"> All required evidence and information supplied on time, with confirmation from Sir Wyn and team that POL’s performance supported and enabled the Inquiry to finish in line with expectations. Deliverables and actions from culture change programme achieved with clear evidence to support this on improvements and overall symbols of change e.g. rhythms and routines, new ways of working, activities undertaken to bring our people closer to Postmasters etc. Clear documented plan on all major operational process, with defined change plans in progress as per recommendations from the Judgements and Inquiry Deliverables from these changes transitioned to BAU with appropriate controls in place External sign-off of IT Audit on HIJ External sign-off of execution of plans instigated by Deloitte work 	<ul style="list-style-type: none"> Satisfying requests of Sir Wyn – on track Deliverables and creation of actions – on track as referenced by Deloitte reports and current cultural change plans and the improvement delivery group plans Clear documented plan – on track and in line with GLO conformance tracker and Improvement Delivery Group Deliverables to BAU – too early to assess External sign off on HIJ – KPMG audit on track 	Green
SPM (25%)	Create a Board approved SPM plan and business case to move off Horizon dependence (first version by 31 March 2021, final by 31 December 2021) and deliver a prototype to operate an ‘express’ proposition fully outside Horizon by 31 January 2022 with ability to subsequently scale across the POL network	<ul style="list-style-type: none"> Prototype express proposition in place by 31 January 2022 Clear understanding and Board approval for the roadmap, major milestones, overall business case and overall programme cost to incrementally stand-up a core IT platform that eventually allows for the retirement of Horizon over the next 3-5 years A functional SPM module, which includes a retailer-facing device and new Postmaster interface, that allows Postmasters to process transactions from the “basic” and “express” propositions without the need of a Horizon terminal A roadmap and timeline for the rollout of that SPM module to 400 new or existing POL locations in order to meet the first business objectives of the Network Strategy Remco to assess whether the investment has been spent wisely. 	<ul style="list-style-type: none"> Zdravko Mladenov has joined the business as Business Transformation Director. Roadmap approval – targeting Board approval on 3rd June so BEIS can complete their part by 31st August 2021, draft version completed however not being taken to Board on 30th March 2021 Board due to different cost options being created and pressure tested with GE before going to Board Overall business plan - On track. Number of branches live outside Horizon – targeting 1 live as early as Sep 21 On track for 10 branches by Jan 22. 	Green
Organisational design (25%)	Delivery of an improved organisational design and lower cost operating model through the successful implementation of Tranche 1, 2 and Tranche 3 of the organisational change plans. Measured by improving metrics on spans and layers (in accordance with the McKinsey key metrics on spans and layers and best practice), making the organisation flatter and more aligned to the Postmaster.	<ul style="list-style-type: none"> Reduction of net 280 FTE between August 2020 (baseline) and January 2022. NB: This excludes any capability build for IT and Data and any FTE reductions made as a result of the DMB Programme) (subject to shareholder funding and sign off) Average of fewer than 6 direct reports per manager Less than 15% of the workforce as line managers Maximum 90 examples of grade compression across the structure 	<ul style="list-style-type: none"> 246.6 roles removed to date Currently 5.9 direct reports per manager Currently tracking at 16.8% Currently tracking at 98 examples 	Amber