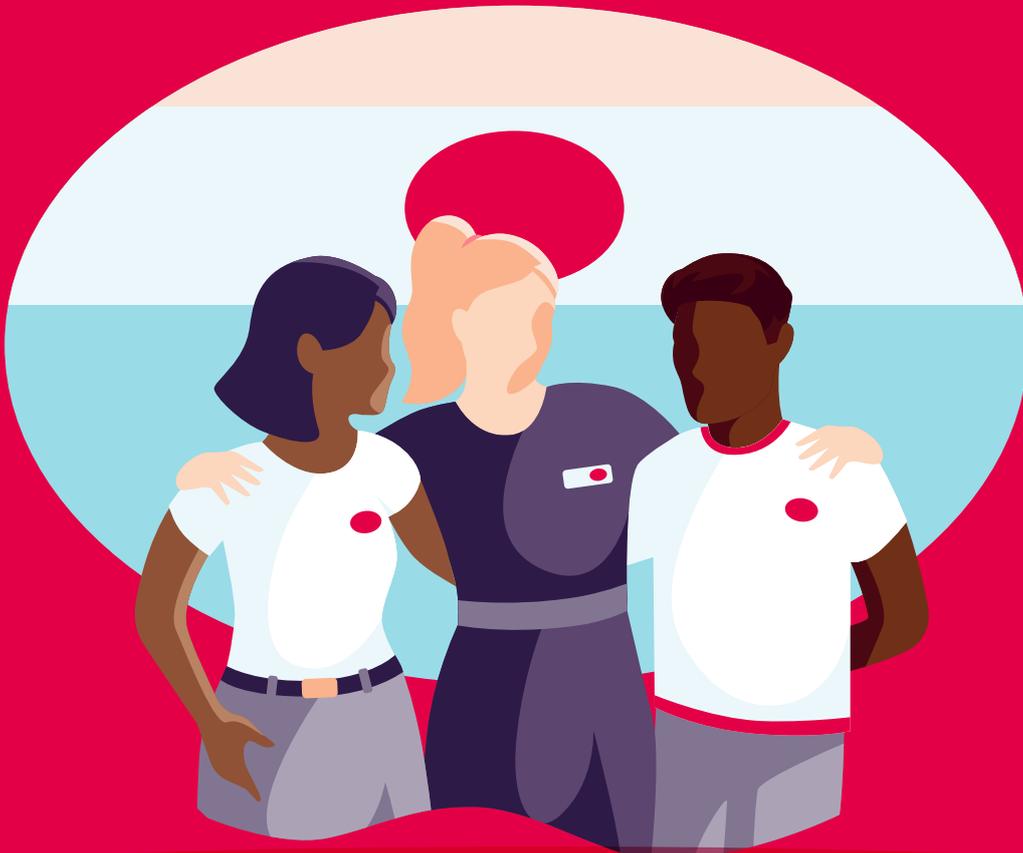


POST  
OFFICE

# Equality Pay Gap

2022



# Introduction from Nick Read

This is our sixth year of reporting our gender pay gap figures and the second year that we're voluntarily reporting our ethnicity pay gap. We recognise that these pay gaps exist partially because the representation of both female and ethnic minority colleagues at a senior level are behind the targets we have set, and we are committed to improving this.

I am encouraged to see some positive results, with women receiving 59% of all promotions and 51% of senior manager promotions; however, due to natural attrition over the past 12 months, the percentage of women in senior management positions has dropped from 44% to 41%. In addition, during this reporting period I am encouraged to see that 24% of promotions were offered to ethnic minority colleagues. We are also seeing some positive trends in representation of ethnic minorities at senior levels, where 18% of promotions to senior manager positions were to colleagues from an ethnic minority.

I understand that Equity, Diversity & Inclusion (ED&I) is an ongoing journey and remain committed to achieving our target of 50% of roles being held by women and 14% by people from an ethnic minority at all levels before December 2024. I also understand the challenges that we face at senior management and group executive level and will not only ensure that representation continues to be a commitment into 2024 but will also extend our targets for this team to 2025; by focusing on increasing the representation at senior leadership levels, we will continue to reduce the pay gap.

Our gender pay gap has remained the same as the previous year at 16%. Our ethnicity pay gap has moved from 12% in 2021 to 11% in 2022 and, although our median ethnicity bonus gap is 0%, there is still more to be done to improve our median quartile pay. The challenge around representation at senior levels in Post Office is one that I look forward to expanding on next year as we review how we have progressed against our actions set below.

In 2023 we will step up our focus and actively develop our female and ethnic minority talent with initiatives such as mentoring, talent pipelines and management training for women and people from an ethnic minority, as well as setting all senior managers a measurable ED&I objective. All people managers will also be offered training on ED&I and building inclusive teams.

We know that ED&I is important in driving the change that we need to see. The 2020 murder of George Floyd in Minnesota highlighted the racial inequality that still exists and led us, and many others, to review our strategy and approach in this area. We have moved forwards towards embedding ED&I into our culture and introducing a number of initiatives to help build awareness and understanding. Moving forwards, we will focus on the transformational activities that will enable us to achieve our ED&I aspirations. In 2021/22 we held a race-awareness event to educate the wider business on the importance and challenges that our colleagues might face; we called this Let's Talk About Race and it was a face-to face 'conversation' programme. It was mandatory to

attend and was rolled out to more than 3,000 employees. This was the first time that Post Office had attempted to train every employee (in groups of 20) in 'live, face-to-face' sessions; these workshops were completed by April 2022.

We also have more than 150 active diversity champions through the company who get involved in ED&I activities and events. Champions are people who are passionate about ED&I and voluntarily take on the responsibility to promote ED&I in their business area. They are supported by the ED&I team and receive special communications when necessary.



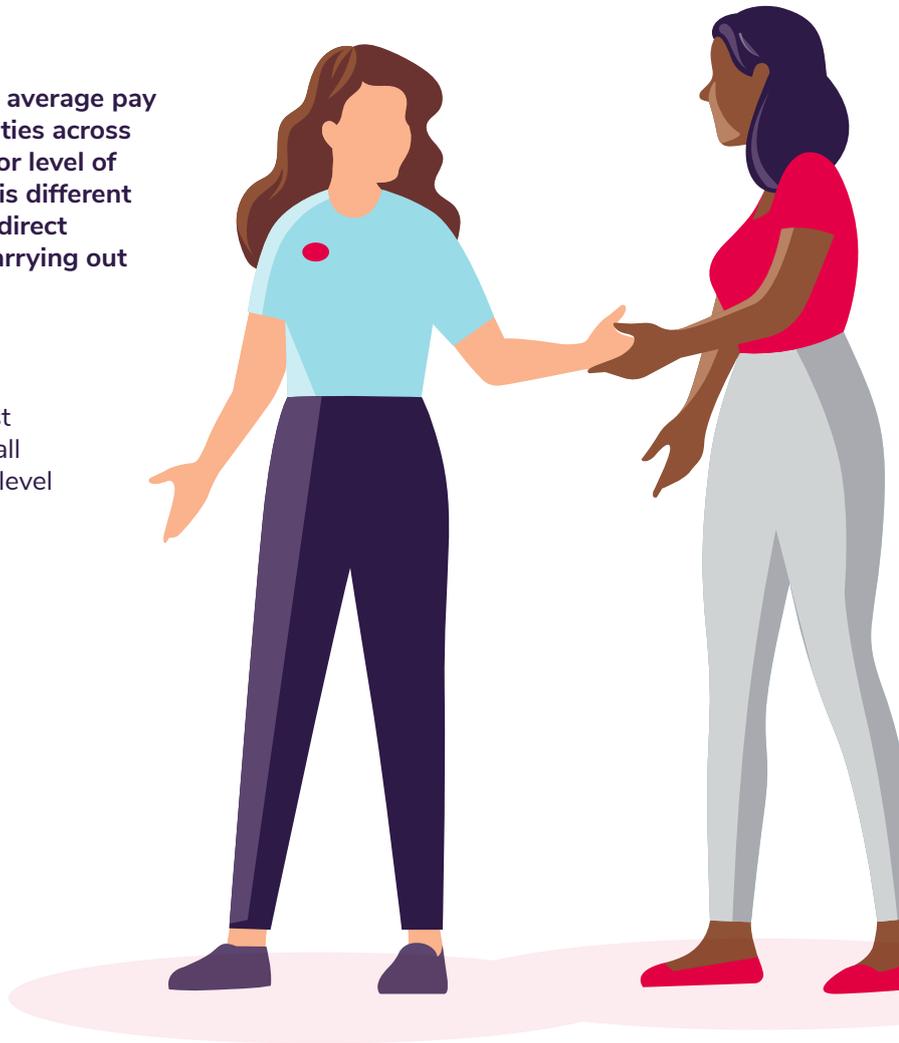
A handwritten signature in black ink that reads "Nick Read".

**Nick Read**  
Group Chief Executive Officer

# What is the pay gap?

The pay gap is a measure of the difference in the average pay of men and women, or people from ethnic minorities across our entire organisation, regardless of the nature or level of their work. It is important to remember that this is different from an equal pay comparison, which involves a direct comparison of two people or groups of people carrying out the same role or doing work of equal value.

There can be many reasons for a pay gap which do not automatically signify unequal pay. At Post Office we support equal pay by using a robust job-evaluation process which is free from bias for all our management roles. Roles below management level are covered by collective bargaining agreements.



# How do we measure our gender and ethnicity pay?

Our gender pay gap and ethnicity pay gap calculations evaluate and report on two main areas of our reward offering: hourly pay and bonus pay. Under the legislation we are required to report on specific statistics, and we have included an explanation of what these represent.

## Mean gender or ethnicity pay gap

To calculate our mean pay gaps we take the average hourly pay of all our male colleagues and compare this to the average hourly pay of all our female colleagues. We also calculate the average hourly pay of our ethnically diverse colleagues in comparison to our white colleagues.

## Median gender or ethnicity pay gap

The best way to understand what the median is would be to imagine all our male colleagues lined up in a row from the lowest to the highest paid. The pay of the colleague in the middle would be the “median” for male colleagues. We would then do the same with our female colleagues to find the median there. Our median gender pay gap is then the difference between the middle male colleague and middle female colleague expressed as a percentage.

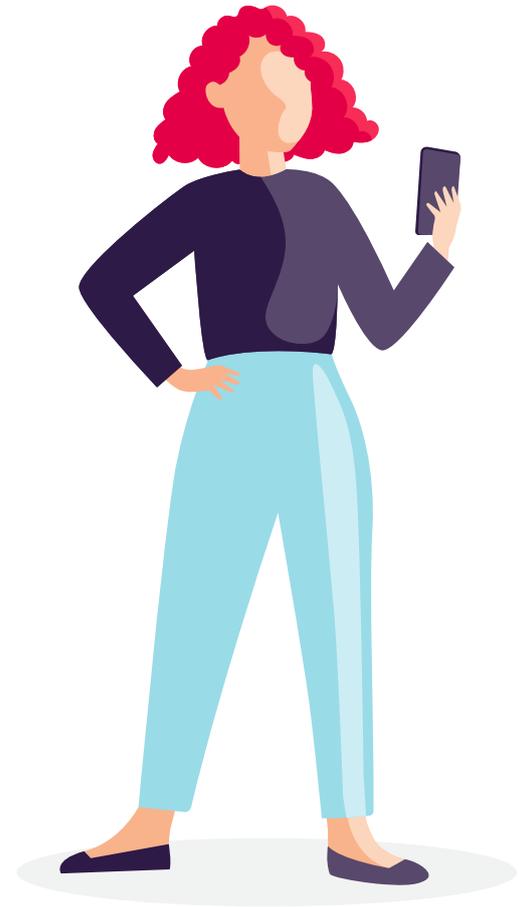
We calculate the median ethnicity pay gap in the same way by comparing the median for our ethnically diverse or black colleagues with the median for our white colleagues.

## Mean and median gender or ethnicity bonus gaps

The mean and median bonus gaps are calculated in the same way as the gender and ethnicity pay gaps. Instead of using hourly pay, we compare bonus payments made to colleagues across our snapshot period.

## Quartile pay bands

The pay quartiles represent the pay rates from the lowest to the highest for our employees split into four equally sized groups, comparing the percentage of men and women or white and non-white colleagues in each quartile.



# Our gender pay gap

Our results are based on data taken at the 'snapshot' date of 5 April 2022.

The tables below show our overall median and mean gender pay based on hourly rate of pay as at 5 April 2022. Our mean and median bonus gaps are based on data looking back 12 months from 5 April 2022.



## Our gender pay gaps

Overall pay gaps	2021	2022
Mean hourly pay gap	16%	16%
Median hourly pay gap	10%	11%
Mean bonus pay gap	40%	33%
Median bonus pay gap	5%	0%

## Quartile pay bands

Quartiles	% Males	% Females
Upper quartile (highest)	58%	42%
Upper middle quartile	54%	46%
Lower middle quartile	48%	52%
Lower quartile (lowest)	32%	68%

## Percentage of colleagues who received a bonus

	2021	2022
Males	93%	42%
Females	91%	34%

# Understanding our gap

## There are more men in senior roles

We are seeing an improvement in female representation at senior levels in the business as we move to gender parity in representation at upper middle quartile pay. Female representation in the upper middle pay quartile has improved steadily from 40% in 2020 to 46% in 2022.

There is still more work to do, however, to ensure gender parity at the very highest level, where only 32% of our senior leadership population and group executive are female. As we currently have more males at a senior level, receiving higher pay, we will have an increased pay gap overall.

## Bonus pay gap

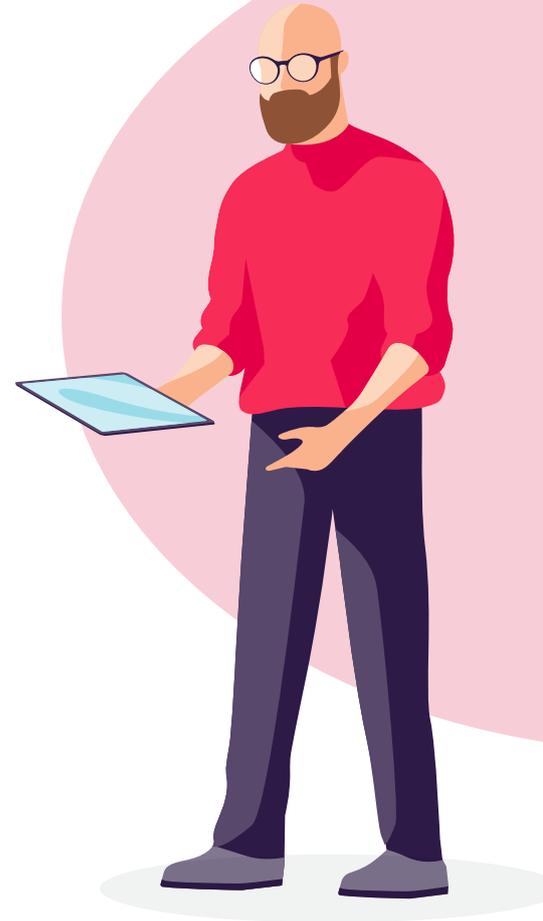
The bonus gap can fluctuate a lot year on year, depending on the level of bonus paid out and the business performance. Our bonus figures look a little different this year, as the mean gap has reduced by 7% to 33% and the median gap is 0%. This is as a result of

the challenges the business faced during the Covid-19 pandemic.

Payment under our Short-Term Incentive Plan 2021 bonus scheme falls within our reporting snapshot for 2022. We were unfortunately unable to make payments under the terms of annual bonus scheme for 2021 due to the impact of the pandemic.

In recognition of the fantastic contribution our colleagues made in keeping our people and customers safe throughout the Covid pandemic, we awarded our senior, middle managers and frontline colleagues a one-off discretionary payment.

As part of our negotiated pay agreement, we also consolidated the bonus into the basic pay for our directly managed branches, supply chain and admin colleagues. This meant that the number of employees eligible to participate in our bonus scheme reduced by 63%.



# Our ethnicity pay gap

For the second time, and ahead of legislation, we are reporting on our ethnicity pay gap.

Just as with our gender pay gap, our results are based on data taken at the 'snapshot' date as at 5 April 2022. The tables below show our overall median and mean ethnicity pay and bonus gap, based on hourly rates of pay, and bonuses paid in the year to 5 April 2022.

This analysis is completed on employees who have provided their ethnicity information. In April 2022 91% of employees declared their ethnicity with the remaining 9% preferring not to say. We are reporting on the Office for National Statistics (ONS) two-factor classification, comparing White Category (White British and White other) with Ethnic Minority Group.



## Percentage of colleagues who received a bonus

	2021	2022
% White Category (White British and White Other)	92%	41%
% Ethnic Minority Group	90%	27%

## Our pay gaps

Overall pay gaps	2021	2022
Mean hourly pay gap	12%	11%
Median hourly pay gap	-2%**	-1%**
Mean bonus pay gap	52%	51%
Median bonus pay gap	0%	0%

\*\*A positive pay gap indicates that white colleagues are paid more; a negative pay gap indicates that ethnic minority colleagues are paid more.

## Quartile pay bands

Quartiles	% White Category (White British and White Other)	% Ethnic Minority Group
Upper quartile (highest)	82%	18%
Upper middle quartile	66%	34%
Lower middle quartile	74%	26%
Lower quartile (lowest)	80%	20%

# Understanding our ethnicity pay gap

## There are more white colleagues in senior roles

Looking at our overall figures, there has been a small improvement of 1% in the mean hourly pay gap, decreasing the gap from 12% to 11%. Similarly to our gender pay gap, these small changes are driven by natural fluctuations in colleagues, particularly at senior levels.

Our ethnic minorities make up 24% of all our Post Office colleagues and 8% of our senior leadership population. This is in comparison to our target of 14% representation at senior level.

## Bonus pay gap

We have also seen a small decrease of 1% in our mean bonus pay gap from 52% to 51%. This is because we have increased our ethnic minority representation in our senior leadership roles; these roles are eligible for a bonus.

Similar to the median gender bonus gap, our median ethnicity bonus gap is 0%. As mentioned previously, in recognition of the outstanding work our colleagues did during the Covid-19 pandemic, the business awarded colleagues a discretionary payment.

As mentioned above, we also consolidated the bonus into the basic pay for our directly managed branches, supply chain and admin colleagues. This meant that the number of employees eligible to participate in our bonus scheme reduced by 63%.



# Our diversity and inclusion considerations

## Diversity targets:

We continue to monitor and improve our existing targets and plans, as well as developing new strategies to help us reach our target of 50% female and 14% ethnic minority representation at all levels of Post Office by December 2024. These targets are something that all our senior leaders are aware of and have overall accountability for.

These are stretch targets, as it has been identified that there is a gap in our leadership team. By setting aggressive targets, along with targeted actions such as setting all senior managers a measurable ED&I objective, we hope to see demonstrable improvement.

We currently exceed both our gender and ethnicity targets as a 'whole population'. For females we have total representation of 53% and for ethnic minorities we have 22% total representation. Within middle management we have 48% female representation and 18% ethnic minority representation. At senior management we have a female population of 41% and an ethnic minority population of 14%.

When we move higher up the bands to the senior leadership population, our female representation is 34% and for ethnic minorities the representation is 5.7%.

You can see that more work needs to be done at our senior manager and senior leader population levels to reach our targets of 50% female and 14% ethnic minority representation by December 2024.

## Equity, Diversity & Inclusion with the wider workforce

At Post Office, the ED&I team actively encourages equity, creates an environment of diversity and fosters a culture of inclusion. This is important for the growth of our business, since we know that diverse teams can lead to greater innovation, a better connection with customers and increased engagement. We expect everyone at Post Office both to make a personal commitment to diversity and inclusion and to set a standard for others to follow.

Our aim is to create a workplace that reflects the diversity of the communities in which we live and work, and the customers we serve, and where the things which make us different are accepted, valued and celebrated. It's not only our people who recognise the work that we've been doing; we've been recognised externally for our commitment to diversity and inclusion too. For example, we have been in the Times Top 50 Employers for Women list three times, in 2017, 2018 and 2021. We've also won a Representative Work award and Diversity and Inclusion award. Members of the diversity team have embedded responsibilities within the Post Office value and culture which all employees are engaged with and which form part of our objectives:

- Promote a professional and positive work environment and be a role model at all times.
- Promote a culture that is inclusive, where differences are accepted, valued and celebrated.
- Inform their line manager of any instances of apparent discrimination or any perceived problem in relation to employment or to the provision of products and services.
- Comply with, and promote, Post Office policies and procedures with regard to equity, diversity and inclusion.



We celebrate the diversity of our workforce and the communities we serve. We are also committed to regularly reviewing how we do things at Post Office to make sure that our policies and processes are inclusive. These are some ways in which we promote ED&I:

- We support our people through the continued engagement and growth of our employee networks:
  - **Affinity**, gender equality network;
  - **Prism**, LGBTQ+ network;
  - **Be You**, disability, mental health and wellbeing network;
  - **POEM**, Post Office Ethnic Minorities network.
- We offer flexible working practices to our employees whenever possible.
- We mandate unconscious bias training to hiring managers, repeated every two years.
- In 2021/22 we held a race-awareness event to educate the wider business on the importance and challenges that our colleagues might face. We called this Let's Talk About Race, and it was a face-to-face 'conversation' programme. It was mandatory to attend and was rolled out to more than 3,000 employees. It was the first time that Post Office had attempted to train every employee (in groups of 20) in 'live, face-to-face' sessions. This was completed in April 2022. The aim of these sessions was twofold; we wanted to educate on the issues that our colleagues who are from an ethnic minority face every day, and encourage discussion about actions that we can take to promote genuine inclusion.
- We started Let's Talk About... virtual sessions where any colleague can share their own personal stories and in which conversations and questions are encouraged. We have found that these open conversations between colleagues have many benefits, including demystifying differences, creating comfort about language and making an environment of openness and sharing. Feedback for these sessions has been overwhelmingly positive.
- We hold whole-company awareness events such as annual diversity day and International Women's Day events.
- We work with specialist job boards to attract diverse talent to Post Office. These job boards include Investing in Women, BME Jobs, LGBT, Disability Job and Women in Tech. These specialist job boards enable diverse shortlists for roles that we have available and in particular for senior manager roles.
- We have an ED&I calendar to celebrate key dates which are important to our network groups and customers.
- We launched a bi-monthly ED&I newsletter which has a subscriber list of more than 200 people across the business who actively read and get involved; access is also available to all employees. We've received positive feedback on this from colleagues across the business who enjoy reading and learning about cultures, colleagues and customers who have different lived experiences from them.
- We have diversity champions who get involved in ED&I activities and events. Champions are people who are passionate about ED&I and voluntarily take on the responsibility to promote ED&I in their business area. They are supported by the ED&I team and receive special communications when necessary.
- We also have a 'Diversity Dashboard' which is sent to all of our executive and senior leaders. Each manager is able to see where they are doing well and where they need extra support. Each division is then able to work with the ED&I team to form targeted action plans.

You can see that we have been extremely busy at Post Office; we genuinely believe that Equity, Diversity and Inclusion is right for business and for the community that we serve. We will continue to review and improve what we are doing in this space. In 2023 we have planned for an external ED&I audit company to come in and run an end-to-end review on all our processes, policies, procedures and anything else with a thread into ED&I to identify what we can be doing better.



# Looking ahead

The next 12 months will be an exciting time for us; we've engaged an external ED&I partner who will audit our policies and processes. They will also survey and interview employees, review our strategy, objectives and plans and, after identifying what we're doing well and our areas of opportunity, they will support us in developing an action plan to deliver our ED&I strategy. In the meantime we have made the following commitments to drive change for the ED&I agenda, also ensuring we are aligning our priorities with the charters and commitments that we have made:

- CEO will be accountable for diversity and inclusion in Post Office, and will appoint an executive sponsor with ownership for each Network Group.
- We will ensure there is no bias in the recruitment process and will undertake a transparent process of audit.
- We will take positive action that supports open career opportunity and progression and will undertake a transparent process of audit.
- We will commit to capturing and publishing diversity data, including tracking our commitment to our 2024 targets of 14% ethnic minority, 50% female, 5% disabled and 5% LGBT+ representation at levels up to senior leadership population. We also understand the challenges that we face at group executive level and will ensure that representation continues to be a commitment, extending targets to 2025.
- We believe that supporting equity in the workplace is the responsibility of all leaders and line managers, and will commit to introducing ED&I objectives for all people managers.
- We commit to creating a respectful, inclusive work environment within which every employee can make a meaningful contribution to the company's vision and values, taking a zero-tolerance approach to harassment and bullying.
- We will ensure that all elements of reward and recognition, from performance development reviews to bonus and pay, are fair, and we will report on this, and on action taken to close the gap, through our ethnicity and gender pay gap reporting.

On top of this external audit, we have our targets for December 2024 in place. These include specific and targeted actions, such as introducing a mentoring programme, building and developing our talent pipelines, management training specifically for people from an ethnic minority, as well as setting all senior managers a measurable ED&I objective. We hope to see a demonstrable improvement in all our gender and ethnicity pay gap reporting.

We look forward to reporting on our progress against these commitments in future reports. With the gender pay gap now in its sixth year, and ethnicity pay gap reporting in its second year, Post Office is aware of the importance of ED&I and the responsibility that we have to ensure equality for underrepresented communities. Our strategy to improve representation for 2022 and 2023 includes senior leader objectives, training, diverse talent pipelines, recruitment process improvement and targets to work towards. We look forward to seeing the positive impact that this additional focus on Equality, Diversity and Inclusion has on our future pay gap reporting.

