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Sent: Thur 06/06/2024 9:45:32 AM (UTC)
To: Saf ismail (1); [redacted] GRO; Elliot Jacobs (1); [redacted] GRO
Subject: RemCo matters

Hi Saf and Elliot, I know you requested more information about the annual bonus scheme and the long term bonus scheme. I had thought you had access to all the papers but now I have done some digging, I have discovered you don't. I have suggested that Rachel takes this up with Nigel as I for one would be happy for you to see everything on Diligent.

First of all just to caveat that the work I have done since arriving is to get the governance into a better place as historic schemes hadn't got ministerial approval (required for CEO and CFO), recipients hadn't been told what the targets were, the scheme rules needed improvement etc. I am pleased to say all schemes are now up to date with approvals.

However, we don't have good alignment between strategy and reward, as we don't have a clear strategy. Management struggle with putting forward long term targets (particularly financial ones). I am hoping that the Teneo strategy work will produce something viable which we can then incentivise the team to deliver. So this year's schemes have had to be designed in a bit of a vacuum. Please therefore bear this in mind when looking at the metrics.

RemCo is focused on Postmasters, colleagues, customers and financial performance.

With regards to the annual bonus scheme for 24/25, there are 4 metrics:

1. colleague engagement (as you know the recent employee engagement survey shows there is much to do here). This showed a baseline of 57% which is behind UK average of 71%. Target is to improve to 68% for this year.
2. Cost control, the target is to deliver £21.2m cost savings (details were signed off in the budget).
3. Mails Revenue, the target is to deliver £303.9m ie deliver budget
4. Banking revenue, the target is to get to £165.8m ie deliver budget
5. Product diversification, the target is to grow non Royal Mail transactions in branches to 42.2m (baseline in 23/24 was 24.1m)

To put this into context, if all are achieved on target, Nick would receive 30% of base salary (others receive % ranging from 10-25% depending on their grade. There is the possibility for people to earn less if thresholds are met, or more up to a stretch target. Plus there can also be an uplift to reflect personal performance, although the CEO and CFO total amounts are capped.

Each year the senior team also receive a long term incentive plan and the metrics for this year are:

1. postmaster perspective: measured against the questions how would you describe the relationship you have with POL and how supported to you feel. The baseline in March 24 was 25.5% and the target for 2027 is 30%
2. Customers: weekly branch customer sessions, 12 month rolling average including PUDO. Baseline in March 24 was 9.54m and target for 2027 is 9.85m.
3. Effective leadership: improvements in I have confidence in the senior leadership team and senior leaders lead by example and in line with Ways of Working. Baseline is 36.5% in March 24 and target is 56% in 2027.

As I say, these schemes are not perfect but we have had to be pragmatic this year pending a much clearer strategy.

Let me know if you want a call to discuss.

Best wishes, Amanda

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