



Business, Energy and Industrial Strategy Committee

House of Commons, London SW1A 0AA

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Orna Ni-Chionna,
Chair, Remuneration Committee
Royal Mail

24th July 2018

Dear Orna,

I am writing on behalf of the Committee in connection with our current inquiry into executive pay and the decisions of the Remuneration Committee regarding the remuneration package for the new Chief Executive, Mr Rico Back.

We were surprised to learn that Mr Back was being paid a sum of £5.8 million, for the transfer from his previous job within the Royal Mail Group. This is in addition to a base salary that is 17% higher than that of his predecessor. Can you explain why it was necessary to pay this sum and how it was taken into account in designing Mr Back's remuneration package?

In our inquiry, we have been looking at the role of shareholders in exercising restraint on executive pay and holding executive directors to account. I note that 70% of shareholders opposed the pay arrangements at the AGM. Given this, and your assurance in the latest Remuneration Committee report that you are "keenly aware of the sensitivity surrounding executive compensation", can you say what consultations you held with major shareholders on the nature of the remuneration package and what steps you are taking in response to their expressed dissatisfaction?

Your remuneration policy states that its application is "heavily influenced by remuneration arrangements for all employees" and that "Increases will normally be in line with the broader employee population". Bearing this in mind, alongside the requirements of the new Corporate Governance Code around reporting on pay ratios, what consideration was given to ensuring that the arrangements for Mr Back's pay-out and remuneration are consistent with those applying to other employees in the Group?


Why was the payment of €6.6 million (£5.8 million) to Mr Black included only in the notes to the consolidated financial statements instead of contained, more transparently, in the remuneration report? In addition, what assurances did you secure around the time Mr Back would spend in the UK in his new role? Finally, why did the pay-outs for

the departing CEO, Moya Greene, include a cash bonus of £774,000 and 12 months' salary, reportedly worth £547,500?

It is part of our inquiry to examine the way in which Remuneration Committee Chairs interpret their role in ensuring that executive pay is fair and reflects the views of the shareholders, and is subject to employee engagement. We will be holding further evidence sessions in the autumn and consider your response in this context.

I look forward to hearing from you.

Yours,

A handwritten signature in black ink that reads "Rachel Reeves". The signature is written in a cursive style with a large initial 'R'.

Rachel Reeves MP

Chair of the Business, Energy and Industrial Strategy Committee