

POST
OFFICE

Pay Gap Report

2021



Introduction from Nick Read

Our median gender pay gap has remained unchanged compared to last year and continues to be less than the UK average.

Over the past year we've worked hard to implement initiatives and processes to help us close our gender pay gap; we've seen improvement in our median bonus pay gap but acknowledge there is still more work to be done.

Our priority is to maintain momentum and continue to take steps toward our goal of appointing women to 50% of senior manager roles.



Nick Read
Group Chief Executive Officer

The Post Office is an organisation full of talented and committed people. I feel proud that each of these talented and committed people has opportunities to grow within our organisation, regardless of gender, race, sexuality, disability, or other characteristics.

This year, our median gender pay gap has seen no material change when compared to last year, but it continues to remain less than the UK average. We know that we cannot be complacent; we will continue to strive to be the very best we can be for all Post Office colleagues by offering flexible working, generous maternity and paternity leave and diversity and inclusion training for

all employees, because it is the right thing to do, for the business and for the people who work tirelessly to be here, in person, for the people who rely on us.

For the first time this year, we have also voluntarily reported on our Ethnicity Pay Gap. This supports our commitment to our Race at Work agenda, gathering and monitoring data about ethnic diversity at the Post Office. Initial results show that although our median ethnicity bonus gap has reduced by 22%, there is still more to be done to improve our median quartile pay. In particular, 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 out in the report.

As an inclusive organisation, our initial focus during the response to Covid-19 was to ensure the wellbeing of all our employees. We enacted changes in our organisation which addressed many of the challenges facing women in particular during lockdown, whilst also supporting all employees who were affected by the closure of schools and caring for the vulnerable amongst other things.

Some of the temporary measures that were immediately put in place included:

- Colleagues that were classed as clinically vulnerable or

clinically extremely vulnerable to Covid-19, and those who lived with a family member who was classed as clinically extremely vulnerable, were entitled to up to 12 weeks' paid special leave from March 2020 if they were unable to work from home.

- Line managers were given delegated authority to agree temporary working arrangements whilst schools were closed, for example, allowing colleagues to work flexible hours or stagger the day so that childcare could be shared with others within households; temporary part-time working was also introduced. Special guidance was developed for line managers to ensure a common understanding and best practice for managing their teams in these unusual circumstances.

We recognise that the temporary measures above are not specific to women, but many women on our teams were disproportionately affected because of changes to child schooling and other care responsibilities. We acted quickly to ensure that care givers were given the necessary flexibility to ensure that personal responsibilities outside work could be fulfilled alongside their day-to-day role.

Key Achievements

Since our last report we continue to see positive results, with women receiving 55% of all upward

promotions and 28% of Senior Leadership promotions. The largest change has been seen in our median bonus pay gap, which has moved from 27% in 2020 to 5% in 2021; this has been driven by a change in midpoint for our male and female colleagues.

We're also very proud to say that Post Office was published in the UK Times Top 50 Employers for Women list this year.

More work to do

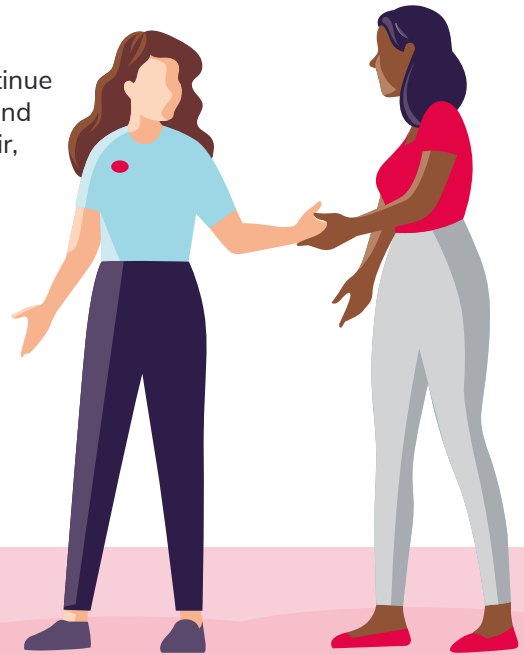
Now we must continue to challenge ourselves to achieve our target of

moving from a 44% share to a 50% share of Senior Manager roles being held by women.

I am confident that we will continue to improve diversity reporting and strive to make our processes fair, consistent and transparent.



Nick Read
Group Chief Executive Officer



What is the gender pay gap?

The gender pay gap measures the difference between the average pay of male and female employees and is expressed as a percentage of men's earnings.

It differs from equal pay, which is the where men and women must be paid the same for the same, or equivalent, work or work of equal value.

The difference between gender pay and equal pay is important to understand; a gender pay gap doesn't necessarily signify unequal pay.

At Post Office we support equal pay through a robust job-evaluation process that is free from gender bias.



How is it measured?

Mean gender pay gap

The difference between the average hourly pay rate of men and women, expressed as a percentage of men's pay. It involves adding up all the hourly pay for men and women separately and dividing the result by how many males and females are full-pay relevant employees.

Median gender pay gap

The difference between the median hourly pay rates of men and women, expressed as a percentage of men's pay. It involves listing all hourly pay in numerical order for the full-pay relevant employees; the median is the middle number.

Mean bonus gender pay gap

This is the difference between the average bonuses paid to relevant employees in the 12 months up to April 2021, expressed as a percentage of the average bonus received by men during that period.

Median bonus gender pay gap

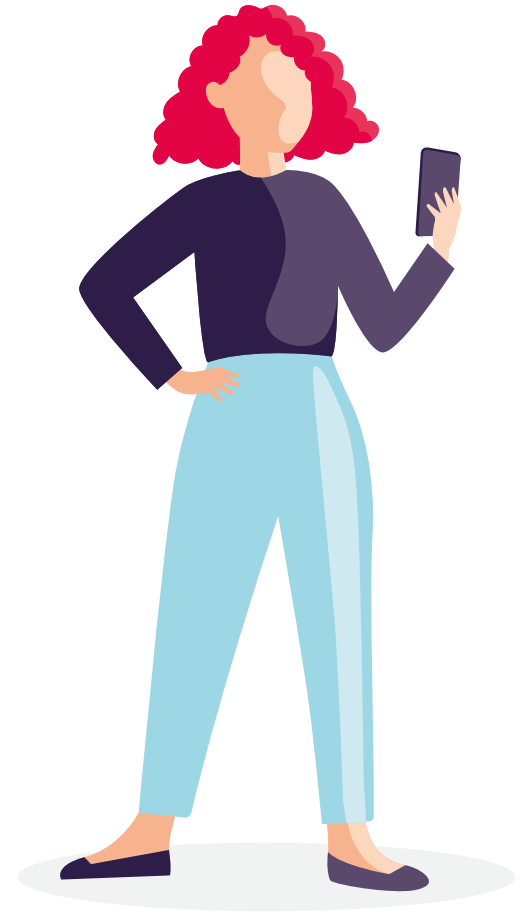
This is the difference between the midpoint bonuses paid to relevant employees in the 12 months up to April 2021, expressed as a percentage of the median bonus received by men during that period.

Bonus proportions

The proportions of male and female (relevant employees) who were paid bonus pay during the relevant period.

Quartile pay band

The breakdown of quartiles is calculated by listing the rates of pay for all full-pay relevant employees across the business from lowest to highest. These are separated into four evenly distributed groups called quartiles. The quartiles (from the lowest to highest) are called the lower quartile, the lower middle quartile, the upper middle quartile and the upper quartile.



Our gender pay gap

Our results are based on data taken at the 'snapshot' date of 5 April 2021.

The tables below show our overall median and mean gender pay and bonus gap based on hourly rates of pay and bonuses paid in the year to 5 April 2021.

Percentage of colleagues who received a bonus

	2020	2021
Males	92%	93%
Females	92%	91%

Our pay gaps

Overall pay gaps	2020	2021
Mean hourly pay gap	15%	16%
Median hourly pay gap	10%	10%
Mean bonus pay gap	41%	40%
Median bonus pay gap	27%	5%

Quartile pay bands

Quartiles	% Males	% Females
Upper quartile (highest)	57%	43%
Upper middle quartile	56%	44%
Lower middle quartile	42%	58%
Lower quartile (lowest)	32%	68%

Understanding our gap

The largest change has been to our median bonus pay gap at a 22% reduction, moving from 27% in 2020 to 5% in 2021; this has been driven by a change in demographics and slightly higher bonuses at the reported level.

Looking ahead

With the gender pay gap now in its fifth year, Post Office is aware of the importance of equality, diversity and inclusion and the responsibility that we have to ensure equality for underrepresented communities. This year we have invested in delivering and reviewing our Diversity and Inclusion Strategy.

Our strategy includes objectives and targets to work towards, with a clear roadmap for actions over the next 18 months. We look forward to seeing the positive impact that this additional focus on equality, diversity and inclusion has on our future pay gap reporting.



Our diversity and inclusion considerations

Equality, diversity and inclusion with the wider workforce

As part of our wider work on people, strategy and growth, Post Office endeavours to deliver a progressive, fair and equitable workplace for all our employees as we adopt our new strategy. This includes a response to the group litigation and to Covid-19 and an introduction of the new ways of working.

During the Covid-19 pandemic, the business ran pulse surveys to assess how employees were coping during challenging times and to understand their working preferences moving forward. The information gathered was used to provide relevant and timely information and support to our employees, and to inform the strategy and new ways of working.

Diversity and Inclusion Policy

Our diversity and inclusion agenda has continued to be a significant focus for us over the past year. Diversity at Post Office is not only about meeting the minimum legal requirement; it is also about providing an environment that encourages difference of thought, experience and background.

Employment decisions – whether related to recruitment, promotions, transfers or terminations – are based on merit and fairness. In the prior year we improved our reporting of diversity data, which has enabled us to have a clearer picture of where we stand regarding the diversity of our workforce, our leadership team, our promotion appointments and our new hires. We continue to work on increasing the rate at which our employees are comfortable to share their diversity data, including gender, race, sexual orientation and disability, through campaigns and engagement and via our diversity network groups.

We have agreed gender and ethnicity diversity targets with the Group Executive; this includes representation through Post Office overall, and specifically at senior management level. Both targets are stretching and aim to have a leadership team that is reflective of the customers and communities we serve by 2024. This includes 50% female representation and 14% BAME (Black, Asian and Minority Ethnic colleagues) representation.

These targets will be reviewed again to reflect the 2021 census result. Having these targets sends a clear message to our leaders and colleagues in the business that diversity is not just an HR issue, but a business imperative, and helps to ensure diversity stays high on the business agenda.

2020/21 was a mixed year for diversity and inclusion metrics at Post Office. Employee structure changes, due to the organisational redesign, have had an impact on diversity at senior level, with the number of women in senior positions reducing. Female representation at senior management was 33% in 2019; this increased to 45% in 2020 and has remained at 44% in 2021. We continue with our ED&I agenda and initiatives in an effort to move towards gender parity, particularly at senior leadership levels.

In March 2020 we saw our gender ratio (proportion of colleague population which is female) decrease by 3%, from 57% at that start of April 2019, to 54% percent at the end of March 2020. This was due to the franchising of directly managed branches, where roles are predominantly filled by females. This year, as of March 2021, we continue to maintain an overall 54% gender ratio favouring women.



Actions

We continue to focus on tailored development plans for high-potential colleagues to support the development of internal talent, which we are pleased to see has made an encouraging difference to the size of our internal female talent pipeline. Since our last report, 55% of internal promotions have been filled by females and 17% of internal promotions were filled by people from an ethnic minority.

This year we had a limited graduate programme due to Covid-19; we had four graduates, with a 50% gender split, with one of the graduates being from an ethnic minority. We have also provided 32 opportunities of development through our apprenticeship schemes for our internal colleagues and new hires. In the 12 months up to April 2021, 66% of those completing apprenticeships were female and 34% were male.

We are continuously reviewing our diversity and inclusion activities with focus on ensuring we have diverse talent pipelines to support progression to senior leader roles. As we continue to drive our diversity and inclusion strategy, we will improve our diversity data to allow us to set functional targets and measure the success of our initiatives. We'll also be involving our colleagues in shaping our future values and behaviours as we identify our cultural ambition following the launch of our Purpose in September 2020: "We're here, in person, for the people who rely on us". These values and behaviours will be embedded into our HR processes to ensure we actively identify and eliminate unconscious bias and encourage diversity through ensuring fairness in reward and recognition. The action plan from the most recent Gender Pay Gap Report, alongside our Diversity and Inclusion Strategy, will enable us to drive improvements to ensure we are doing the right thing for our people and the future of Post Office.

Diversity targets:

We have made huge strides in gender equality over the last few years, particularly at management levels. Our original aim was to have 40% of senior roles filled by women by the end of 2018: we exceeded this target and in March 2019, 43% of our management roles were filled by women. In 2020 our middle and senior management female representation was 46% and 44% respectively and in 2021 we continued with this representation with 46% for middle and 44% for senior female management. Our aspiration is that we will have 50% gender representation at all levels by 2024. Gender equality is a business imperative; we are confident we will continue to make great progress. Post Office was also published in the UK Times Top 50 Employers for Women list this year.

We continue to develop new, and improve existing, strategies to help us reach our stretch target of 50% gender representation at all levels of Post Office by 2024. This is something our senior leaders have overall accountability for.

Along with gender targets, Post Office has also introduced a target to develop an ethnic diversity of 14% at all levels by 2024. Post Office is aware that this is a stretch target, but it has been identified that there is a gap in our leadership team and by setting aggressive targets we hope to address this quickly.

The 14% target will be reviewed when statistics from the 2021 census are made public. We currently exceed this representation target as a 'whole population' (21%) and in our middle management (16%), but at senior management we drop below the target to 12%, and in the Senior Leadership Team BAME representation drops to 2%.

We are aware that setting targets alone will not make a difference and we are taking steps to make some fundamental changes to the way we do things to drive positive change.

Our recruitment process was one of the key areas that we focused on in the past 12 months. We completed a review of our recruitment policies to reduce or remove unconscious bias wherever possible. We also worked with our recruitment partners to ensure that we received gender-balanced shortlists for all roles. We will be completing a full end-to-end review of our recruitment processes to ensure they support our policies.



Other actions we have taken include:

- Working to create an inclusive culture:**
 Diversity and inclusion is recognised as a strategic priority by the business from the very top level. We reinforce the importance of diversity and inclusion to all our people through profiling diverse role models; celebrating the diversity of our people and marking awareness days; growing the number and impact of our employee-led diversity networks; and educating our people on the business impact of having diverse and inclusive teams, through diversity days, learning events and workshops.
- Improved diversity reporting:**
 A Diversity Dashboard has been developed and is shared with the Senior Leadership Team every month. This provides the basis for diversity and inclusion awareness and discussions at leadership team meetings. The dashboard includes a range of employee diversity information which highlights where in our business we need to focus extra effort to improve the balance of people from underrepresented communities. A revision of the dashboard is currently underway to provide the leadership team with access to more diversity statistics and information, enabling more-informed discussions.
- Placing greater emphasis on diverse talent pipelines for senior and executive roles:**
 Our Talent, Diversity and Inclusion Director is working with each Group Executive member to identify their top talent and challenge where this is not a diverse list. As a result, we have seen an increase in the number of women promoted internally, with 55% of our upward promotions at all levels, and 28% at Senior Leadership level, in the last year being women. 17% of our upwards transfers have been BAME colleagues both for the senior leaders and the employee population as a whole.
- Training: 'People Manager Fundamentals' training programme is mandatory for all people managers:**
 This develops them to manage their teams in line with Post Office values and behaviours. It includes a module underpinned by diversity and inclusion: 'Knowing our People'. Before hiring new team members, line managers must undertake unconscious bias training to reduce instances of bias in the recruitment process. They are also responsible for ensuring that our Code of Conduct is made available to all colleagues – this outlines

what colleagues can expect when working at Post Office and has a dedicated section on diversity and inclusion. Line managers are also asked to actively support and promote a number of people-focused networks across the business (e.g. Employee Representative Groups, Diversity and Inclusion).

- Special support during Covid-19:**
 From the outset of the pandemic there was regular communication and updates from our CEO and Group Chief People Officer. Supportive policies were enacted across the entire organisation and whilst the issues faced in many households were not specific to women, many were disproportionately affected by measures put in place to deal with Covid-19. Some of the temporary measures that were immediately put in place included:
 - Entitlement to up to 12 weeks' paid special leave for colleagues classed as clinically vulnerable or clinically extremely vulnerable to Covid-19, and those who lived with a family member who was classed as clinically extremely vulnerable, if they were unable to work from home.
 - Giving line managers delegated authority to agree temporary working arrangements whilst schools were closed, for example, working flexible hours or staggering the day so that childcare could be shared with others within households; temporary part-time working was also introduced
 - Guidance for line managers on how to manage their teams with support from HR business partners
 - Purposeful avoidance of furlough to enable everyone who was able to continue working



Our commitments to closing the gap

Over the past few years we have made several commitments to help us make progress in reducing our gender pay gap. Many of these initiatives are ongoing and are built into our Diversity and Inclusion Strategy.

We will be continuing these activities, as well as making further commitments in the year ahead, to enable us to make further progress to decrease our pay gaps over time. We look forward to seeing the results of these efforts reflected in our pay gap reporting results in years to come.

Recruitment

- To continue our focus on gender-balanced shortlists and interview panels in our recruitment processes, with the aim of filling 50% of senior manager roles with women
- To reject unbalanced shortlists
- To aim for a 50/50 equal gender split in the number of internal promotions, particularly at senior level
- To continue our recruitment achievements of maintaining at least an equal male/female split of early careers graduate and apprenticeship roles
- To continue the good work with our female employee-led networks, including our Women at Post Office network group

Development

- To continue striving for an equal male/female split when identifying Top Talent during our talent and succession planning process
- To ensure we have diverse talent pipelines across the business with tailored development plans to support with individuals' skills gaps
- To introduce a more consistent approach to reviewing Talent and Performance to ensure that we're promoting the right people internally
- To ensure fairness in reward and recognition and being open about our career pathways

Culture

- To continue offering greater flexible working opportunities for all, including investment and training in digital ways of working
- To share our Diversity and Inclusion Strategy and set commitments with Group Executive to continue to drive focus in the right areas

- To continue the good work with our female employee-led networks, including our Women at Post Office (Affinity) network group, where our women identified as having high potential and senior female leaders are brought together to inspire and motivate each other to further fulfil their potential
- To establish a Group Executive sponsor for our female network group to provide a voice in senior leadership meetings and allow for reverse mentoring to understand their specific needs
- To gather and monitor data about gender diversity and use this data to measure the success of diversity initiatives, being open and transparent with publishing our data and celebrating success
- To ensure that we support women at different stages of their life and their career. We have policies which support women in our workplace, which include:
 - Flexible Working
 - Work Location Status – as includes home working
 - Maternity/adoption leave/pay policies
 - Menopause
 - Dignity at Work – Clear and strict sexual harassment and discrimination policies
 - Career break
 - Other time off



Our ethnicity pay gap

For the first time, and ahead of legislation, we are reporting on our ethnicity pay gap. Our results are based on data taken at the 'snapshot' date of 5 April 2021.

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 2021 based on two-factor categorisations.

This analysis could only be completed regarding employees who have provided their ethnicity information. In April 2021 90% of employees had declared their ethnicity. 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

	2020	2021
% White category (white British and white other)	91%	92%
% Ethnic minority group	93%	90%

Our pay gaps

Overall pay gaps	2020	2021
Mean hourly pay gap	11%	12%
Median hourly pay gap	-6%	-2%
Mean bonus pay gap	58%	52%
Median bonus pay gap	22%	0%

Quartile pay bands

Quartiles	% White category (white British and white other)	% Ethnic minority group
Upper quartile (highest)	85%	15%
Upper middle quartile	64%	36%
Lower middle quartile	77%	23%
Lower quartile (lowest)	82%	18%

Understanding our gap

As with our gender pay gap, Post Office Ltd has seen a circa 22% reduction in our median ethnicity bonus pay gap. This is driven by a shift in the median placement, with the ethnicity midpoint falling within the manager grades.

The differences in our quartile pay bands reflect the lack of ethnically diverse representation we have at senior levels within the organisation.

Looking ahead

As this is the first time we have reviewed our ethnicity pay gap data, we will now build our plans to focus on closing the gap.

In October 2021 our CEO Nick Read reaffirmed our commitment to the Race at Work Charter:

“Black and minority ethnic colleagues have always played an important role in Post Office and I’m determined that they play a bigger role in our future. That’s why I am committing to the five recommendations of our Post Office Ethnic Minorities Network, drawing from the McGregor-Smith report.

“Seventy years ago, Post Office worker Sam King highlighted the issues black people were facing in the workplace and in wider society and the recent Black Live Matter protests show how the problems he faced are still affecting people today.”

As a result, we have structured our Race at Work Agenda around five key areas:

- Gather and monitor data about ethnic diversity at Post Office and use this data to measure the success of diversity initiatives
- Set diversity targets, objectives and KPIs for the Senior Leadership Team
- Raise awareness of BAME issues in the business through training and discussions
- Continue to improve recruitment processes by actively identifying and eliminating unconscious bias
- Change our processes to encourage diversity through ensuring fairness in reward and recognition and being open about career pathways

We look forward to reporting on our progress against these commitments in future reports.

