

**ROYAL MAIL HOLDINGS PLC
BOARD PERFORMANCE EVALUATION QUESTIONNAIRE - 2006**

How satisfied are you.....

Q1 that the matters reserved for the Board's decision (attached) are appropriate?

Very Satisfied Satisfied Dissatisfied Very Dissatisfied
GRO

Additional Comments:

1. Presumably the attachment should be updated to read £20m rather than £10m in a number of places. Also the "Combined Code" section on "Material Contracts in the Ordinary Course of Business" is a bit ambiguous. Does the £10m (£20m) limit only apply to acquisition and disposals? If not then £20m is too low for an operational contract that may run over five years.
After three years of solid performance and improvement I would have thought that the Board should be ready to delegate broader powers to the Chief Executive to execute the strategic plan and deliver against the annual budget. Management should be spending more time seeking advice and guidance on strategic issues from the Board, rather than asking for approval on specific matters which are sometimes taken out of context.
2. I think the board sometimes goes beyond those areas listed in the attached document.

Q2 that adequate management controls are in place – eg financial authority levels?

Very Satisfied Satisfied Dissatisfied Very Dissatisfied
GRO

Additional Comments:

1. Good controls are in place but delegated authorities need formalizing to reflect the new Group structure, while at the same time removing ambiguity and de-linking from the concept of "budgeted" vs "unbudgeted" expenditure.
2. Probably not enough delegation on medium sized capital projects.

Q3 that risks are adequately managed?

Very Satisfied Satisfied Dissatisfied Very Dissatisfied
GRO

Additional Comments:

1. Have not seen a Board level review of risks in my time on Board, but they are covered fully at Audit Committee.
2. Yes but the new MDs need to become comfortable with the work of their own risk management teams.
3. I have yet to attend a formal risk review but that may be because I am still new (and also do not attend Audit Committee).
4. Making progress, but given next stage of transformation plan about to start, need to reset and refine key processes (eg Capex).
5. Progress is being made on 'mail integrity', and generally things are being tightened up. However we have come from a low base.
6. Need to ensure recent criticisms by Postcomm are adequately addressed.
7. Need to have more regular debate regarding contingency plans for uncertain risks.
8. I believe we could make Risk Management more overt than it is, with a regular slot at the Board.

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How satisfied are you.....

Q4 that sufficient time is devoted to testing and developing future business strategy?

Very Satisfied	Satisfied	Dissatisfied	Very Dissatisfied
GRO			

Additional Comments:

1. Probably due to the amount of time spent on recent negotiations with Postcomm/the government, I don't think enough time has been spent here. The strategy awayday will help.
2. The time spent at the Board is adequate; however, the process is too much in the hands of McKinsey; there is not enough debate and discussion with senior line managers to achieve validation and buy-in prior to presentation to the Board. At the Board itself the discussion is a bit superficial and based on insufficient market, customer and operational information. It tends to be focused on specific short to medium term problems. There is not enough focus on the very real issue of the medium term shape and survival of the business as a whole in the face of competition and changing social and technological factors.
3. Yes increasingly so.
4. There has been little of this since I joined but hopefully the strategy awayday(s) will help address this.
5. Satisfied – but the Board must recognise that there are strategic issues requiring further debate – see NXD's independent review April 2006.
6. Still too little understanding at board of customer contract wins/losses/dynamics.
7. Improving, however conversations are obviously being held about GLS future without proper discussion.
8. OK – I think funding issues have tended to overshadow this and therefore we could/should do more.
9. Will see how awayday debate goes but maybe should have quarterly review of how annual strategic review is proceeding.
10. I do believe we spend a great deal of time on the future and rightly so.

Q5 that sufficient time is devoted to current business performance?

Very Satisfied	Satisfied	Dissatisfied	Very Dissatisfied
GRO			

Additional Comments:

1. It might be helpful to have a periodic (6 monthly?) "deep dive" into current business performance.
2. The reporting is now effective and the discussion appropriate.
3. Yes, just about right.
4. Sufficient time is spent, but hopefully the new CFO will be able to add value to the monitoring process.

Q6 that the Board meets sufficiently frequently?

Very Satisfied	Satisfied	Dissatisfied	Very Dissatisfied
GRO			

Additional Comments:

1. Good frequency and length.
2. Perhaps slightly too frequently, particularly when the regular schedule is disturbed.

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How satisfied are you.....

Q7 that Board agendas are tackling the right issues?

Very Satisfied Satisfied Dissatisfied Very Dissatisfied

GRO

Additional Comments:

1. We have rightly focussed on these items most material to the business (Govt/reg. Negotiation) – it would be good going forward to spend more time on business issues.
2. Yes at the moment as Financing, Shares and People have been the key questions. However we need to spend more time on the medium to long-term future of the Company.
3. Mostly, but need to develop further plans re pensions and strategic productivity.
4. Again improving, but we do flip from great detail on some aspects/topics to very top level discussion about other topics eg IR vs GLS.

Q8 that the Board is given sufficient information to take sound decisions?

Very Satisfied Satisfied Dissatisfied Very Dissatisfied

GRO

Additional Comments:

1. In general briefing is very thorough and effective – my only issue is with the budget, which was presented rather late, and with insufficient support.
2. Yes, but we must watch a tendency for investment papers to focus on the detail and miss the strategic rationale for a particular course of action.
3. Excellent.
4. Legal input still too weak.
5. It is a process of continuous improvement.

Q9 that the Board is sufficiently aware of developments in the regulatory environment and postal markets?

Very Satisfied Satisfied Dissatisfied Very Dissatisfied

GRO

Additional Comments:

1. Excellent.
2. Progress being made in giving more competitor information.
3. Though we need to now focus more on competitor strategies/models.
4. Very well briefed with Alex Smith being an excellent addition in this area.

Q10 with the standard of board papers?

Very Satisfied Satisfied Dissatisfied Very Dissatisfied

GRO

Additional Comments:

1. Very good – concise and informative!
2. Most are very good. Quality improving perhaps a template(s) would help.

Q11 with the administration of the Board – minutes, circulation of papers, performance of the company secretary's office, etc?

Very Satisfied Satisfied Dissatisfied Very Dissatisfied

GRO

Additional Comments:

1. Very good.
2. Always keep me informed, papers available pre-weekend.
3. We still produce our papers too late and I think the action sheets are issued a little late. However again improving.

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How satisfied are you.....

4. With two executive meetings and Holdings Board per month Holdings papers on late Friday or Saturday are not ideal!

Q12 with the quality of debate at board meetings?

Very Satisfied Satisfied Dissatisfied Very Dissatisfied

GRO

Additional Comments:

1. Excellent – informative and value adding. Would like to hear more from the Executive team.
2. The debates are always useful and the non-executive viewpoints add a great deal. However, in some cases the executive directors get little opportunity to contribute effectively.
3. Improving.
4. The Chairman ensures a very high standard with all members expected to contribute.

Q13 with the chairmanship of board meetings?

Very Satisfied Satisfied Dissatisfied Very Dissatisfied

GRO

Additional Comments:

1. Good leadership – allows active debate with everyone participating. Summarises proactively and well.
2. Allan is excellent.
3. Allan continues to do a good job.
4. He is a very good Chairman who commands respect, but also creates an informal but disciplined environment, where challenge is expected and welcomed.

Q14 with the role, composition and performance of board committees?

Very Satisfied Satisfied Dissatisfied Very Dissatisfied

GRO

Additional Comments:

1. Good level of participation at Audit Committee.
2. I am uncertain as to exactly what appointments have to be validated by Nominations Committee but it feels that it occasionally gets involved in too much detail – e.g. actually interviewing BU MD's direct reports and direct involvement in agency bonus structures with DTI.
3. Getting better, but still some way to go.
4. The balance of getting all interested parties involved in decisions and speed of decision making is still not right. I think we should re-visit the depth to which the committees review/approve executive actions.
5. Getting better all the time, but with an opportunity to get the processes working more effectively.

Q15 with communication from the board and its committees about their activities to the Management Team, Company employees and others?

Very Satisfied Satisfied Dissatisfied Very Dissatisfied

2 d/k

GRO

Additional Comments:

1. Not sure I have visibility of this
2. It would be helpful to better structure the communication to GET, the Executive Teams of the Business Units and more generally to the Senior Leader Population.

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How satisfied are you.....

3. I have seen relatively little in my short time here.
4. There is still a lot of scope for improvement here. 1. better communication with opinion formers. 2. clarify that Board decisions are for implementation not further debate.
5. Still some isolated examples of committees bypassing management.
6. Don't really know the answer to this. It seems there is a gap in what is said nationally and what managers do locally.

**Q16 that directors are sufficiently knowledgeable
of their statutory duties and developments in
corporate governance best practice?**

Very Satisfied Satisfied Dissatisfied Very Dissatisfied

GRO

Additional Comments:

Q17 any other comments?

Any other general comments:

1. The business needs a step change in performance to keep running.
2. Still a lot to be done!
3. It is very difficult to monitor such a diverse and disparate organisation. However we should give more consideration to ensuring standards of style and behaviours are upheld.
4. I believe it is a high performance board where the NED's and ED's work effectively together to extract best possible value.

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MATTERS RESERVED TO THE BOARD

STATUTORY REQUIREMENTS

- Approval of half year and full year accounts
- Approval of financial forecasts to the DTI
- Approval of any significant change in accounting policies or practices on the recommendation of the Audit Committee
- Appointment or removal of the Company Secretary
- Appointment or removal of auditors on the recommendation of the Audit Committee

COMBINED CODE REQUIREMENTS

- Approval of major capital projects (with costs in excess of £10m20m)
- Approval of material contracts of the company in the ordinary course of business (the acquisition and disposal of assets in excess of £10m20m)
- Approval of contracts of the company not in the ordinary course of business (including all strategic acquisitions or joint ventures where the transaction total is in excess of £10m20m)
- Approval of major investments, including the acquisition or disposal of interests of more than 5% in the voting shares of any company or the making of any takeover bid
- Approval of risk management strategy including internal control arrangements

MANAGEMENT

- Approval of the Company's commercial strategy
- Approval of the Company's strategic plan and annual operating plan
- Approval of plans for senior management development and succession
- Approval of changes to the Group's management and control structure, including major restructurings
- Approval of main postal price changes
- Approval of overall pay policy for staff and agents
- Establishment of Board committees, their terms of reference and membership
- Approval of the health and safety policy
- Approval of the environmental policy
- Approval of the equal opportunities policy

MISCELLANEOUS

- Appointment of specified individuals to authenticate the Royal Mail Holdings seal
- Adoption of a new company seal
- Approval of amendments to trust deeds of the main Royal Mail pension schemes
- Appointment and remuneration of the chairman and trustees of main Royal Mail pension schemes