

Royal Mail Group plc

REMUNERATION COMMITTEE – TERMS OF REFERENCE

The Remuneration Committee is the committee of the Board of Directors of Royal Mail Group plc to whom the Board has delegated certain responsibilities as set out in these terms of reference:

1. Membership

- 1.1. The Committee shall comprise at least three members, all of whom shall be independent non-executive Directors. The Chairman of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman.
- 1.2. Members of the Committee shall be appointed by the Board, on the recommendation of the Nominations Committee and in consultation with the Chairman of the Remuneration Committee.
- 1.3. Appointments to the Committee are made by the Board and shall be for a period of up to three years, which may be extended for two further periods of up three years, provided the Director still meets the criteria for membership of the Committee.
- 1.4. The Board shall appoint the Committee Chairman who shall be an independent non-executive Director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The Chairman of the Board shall not be Chairman of the Committee.

2. Secretary

- 2.1. The Company Secretary or his or her nominee shall act as the Secretary of the Committee.

3. Quorum

- 3.1. The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. Meetings

- 4.1. The Committee shall meet at least three times a year and otherwise as required.
- 4.2. A member of the Remuneration Committee may participate in a Committee meeting by telephone or video conference.
- 4.3. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Group HR Director and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary. Other Non-Executive Directors may also be invited to attend Committee meetings by invitation.
- 4.4. No executive of the Company shall participate at a meeting of the Committee (or during the relevant part) at which any part of their remuneration is being directly discussed or participate in any recommendation or decision specifically concerning their remuneration.

5. Notice of meetings

- 5.1. Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman.
- 5.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than five days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

6. Minutes of meetings

- 6.1. The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 6.2. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so.

7. Annual General Meeting

- 7.1. The Committee Chairman should attend the Annual General Meeting to answer any stakeholder questions on the Committee's activities.

8. Duties

- 8.1. The Committee shall:
 - 8.1.1. on behalf of the Board, approve the framework and broad policy for the remuneration of the RemCo, Senior Leadership Population and other senior direct reports to the Chief Executive, taking account of all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance. For the purposes of these Terms of Reference, "framework and broad policy" includes:
 - 8.1.1.1. the general approach to how fixed pay and total remuneration levels should compare to appropriate benchmarks in terms of quantum and structure
 - 8.1.1.2. the general approach to pension provision and the provision of other benefits
 - 8.1.1.3. the basic structure of annual bonus provision (including the general approach to bonus quantum and performance measures)
 - 8.1.1.4. eligibility for, and design of, long-term incentive provision
 - 8.1.1.5. the general approach to other contractual terms (including, but not limited to, notice periods),

but shall not require the Committee to determine the specific remuneration and other contractual terms of individual members of the RemCo, Senior Leadership Population and other senior direct reports to the Chief Executive, save as set out in paragraph 8.1.4 (i.e. relating to members of the Group Executive Team (GET))
 - 8.1.2. when approving on behalf of the Board the remuneration framework and broad policy for the RemCo, Senior Leadership Population and other senior direct reports

to the Chief Executive, review and have regard to remuneration policies and practices across the Company as a whole.

- 8.1.3. annually review the ongoing appropriateness and relevance of the remuneration framework and broad policy for RemCo, Senior Leadership Population and other senior direct reports to the Chief Executive.
- 8.1.4. within the terms of the agreed framework and broad policy, in consultation with the Chairman and/or Chief Executive and (where necessary) with the consent of the Secretary of State for Business, Innovation and Skills, determine each element of the total individual remuneration package of (i) the Chairman, (ii) each Executive Director, (iii) the Company Secretary, (iv) the Chief Executive's senior direct reports and other members of the Group Executive Team (both current and former members);
 - 8.1.4.1. base salary
 - 8.1.4.2. pension provision and the provision of other benefits
 - 8.1.4.3. the specific structure of annual bonus provision (including the bonus quantum and performance measures)
 - 8.1.4.4. the specific structure of long-term incentive provision (including award levels and performance measures)
 - 8.1.4.5. specific other contractual terms (including, but not limited to, notice periods), ensuring that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- 8.1.5. on behalf of the Board, note and approve the general design of any other performance-related pay arrangements operated throughout the Company and the total annual payments made under such arrangements
- 8.1.6. approve on behalf of the Board the design and specific operation of all long-term incentive plans in which members of the RemCo, Senior Leadership Population and other senior direct reports to the Chief Executive participate. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to those employees whose individual remuneration arrangements the Committee specifically determines under paragraph 8.1.4 above and the performance targets to be used.
- 8.1.7. consider and review the risk implications in respect to the design, implementation and operation (including payout) of remuneration arrangements across the Company and undertake an annual review to confirm that the Company's remuneration policies and practices remain compatible with the Company's risk policies and systems;
- 8.1.8. approve the remuneration package to be offered to any new employee whose individual remuneration arrangements the Committee specifically determines under paragraph 8.1.4 above;
- 8.1.9. oversee any major changes in employee benefits structures throughout the Company (including pensions).
- 8.1.10. agree the policy for authorising claims for expenses from the Group Executive Team and other senior direct reports to the Chief Executive and conduct an annual review of expenses from the Executive Directors.
- 8.2. In relation to the above, the Committee shall at all times give due regard to published or other available information relating to pay, bonuses and other benefits of executives in companies

which are comparable to the Company. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfill its obligations.

- 8.3. The Committee Chairman will be responsible for seeking approval for the Company's remuneration arrangements from the Secretary of State for Business, Innovation and Skills as required.

9. Resources

- 9.1. The Committee shall have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- 9.2. The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.
- 9.3. The Committee is authorised to seek any information it requires from any employee, consultant or contractor of the Company or any of its subsidiaries in order to perform its duties.
- 9.4. To help it fulfill its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board. The Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

10. Reporting Responsibilities

- 10.1. The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3. The Committee shall produce a report of the Company's remuneration policy and practices to be included in the Company's annual report.
- 10.4. The Committee shall make its terms of reference publicly available (including on the Company's website) and review these terms of reference on a regular basis and, if necessary, make recommendations to the Board for their amendment.

11. Other matters

- 11.1. The Committee shall give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and any other applicable Rules, as appropriate.
- 11.2. The Committee shall arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.
- 11.3. The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 11.4. The Committee is authorised to investigate any activity within the scope of its duties and to intervene if the Committee considers it appropriate and/or if the Board instructs it to do so.
- 11.5. The Committee may delegate such of its duties and responsibilities to any one or more members of the Committee as it may deem appropriate having regard to the purpose of the Committee.

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- 11.6. The fees and payment arrangements for Non-Executive Directors are matters for consideration by a sub-Committee of the Board, consisting of the Company Chairman and the Chief Executive which shall make recommendations to the Executive Directors. The approval of the Secretary of State for Business, Innovation and Skills is required for fee and payment arrangements for the Non-Executive Directors.

These Terms of Reference were adopted by the Board on [] 2012.

Exhibit WITN00740107