

POLB(10)02

POST OFFICE LIMITED

POST OFFICE LIMITED BOARD

**MATTERS RESERVED TO THE POST OFFICE LIMITED BOARD AND
THE TERMS OF REFERENCE FOR ITS COMMITTEES**

- 1 Annex A provides a summary of matters reserved to the Post Office Limited Board. This is very similar to the paper approved by the Board on October 27th 2007.
- 2 Annex B and C are the proposed Terms of Reference for the Post Office Limited
 - i) Audit Committee;
 - ii) Remuneration Committee.
- 3 The Board is invited to approve the matters set out in Annexes A, B and C.

**Susan Crichton
November 2010**

ANNEX A

POST OFFICE LIMITED

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 and removal of Directors and Company Secretary
- Appointment or removal of auditors on the recommendation of the Audit Committee

MANAGEMENT

- Approval of major capital projects (of between £3m - £10m)
- Approval of material contracts of the company in the ordinary course of business (the acquisition and disposal of assets of up to £10m)
- 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 up to £10m)
- 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

Subject to the agreement of the Royal Mail Holdings Board where appropriate, approval of:

- the Company's commercial strategy
- the Company's strategic plan and annual operating plan
- plans for senior management development and succession
- changes to the management and control structure
- overall pay policy for staff and agents
- health and safety policy
- environmental policy
- equal opportunities policy

MISCELLANEOUS

- Appointment of specified individuals to authenticate the Post Office Limited seal
- Adoption of a new company seal

ANNEX B
POST OFFICE LIMITED
AUDIT COMMITTEE - TERMS OF REFERENCE

Role

In respect of the external auditors:

- To consider the appointment of the external auditors and assess their independence, ensuring that key partners are rotated at appropriate intervals. Oversee the process for selecting the external auditors and make appropriate recommendations to the Board.
- To agree the audit fee and pre-approve any fees in respect of non-audit services provided by the external auditors, and ensure that the provision of non-audit services does not impair the external auditors' independence and objectivity.
- To discuss and agree with the external auditors, prior to commencement of services, the nature and scope of the work to be conducted by the external auditors, and review the auditors' quality control procedures and steps taken to respond to changes in regulatory and other requirements.
- To review the external auditors' management letter and responses of management.

In respect of Internal Audit:

- To review the scope and programme of Internal Audit activities to ensure focus is maintained on key business risks, processes and controls.
- To ensure the internal audit function adopts professional standards, is adequately resourced and has appropriate standing within the company.
- To review internal audit and business management reports on the effectiveness of the company's systems for financial reporting, internal control and risk management.
- To consider management's response and progress in dealing with significant internal or external audit recommendations.

In respect of the accounts:

- To review, and challenge where necessary, the actions and judgements of management in relation to the interim and annual financial statements prior to submission to the Board, paying particular attention to:
 - a. Accounting policies and practices, including changes.
 - b. Decisions requiring a major element of judgement.
 - c. The extent to which unusual transactions impact on the financial statements and how these have been disclosed.
 - d. The adequacy and clarity of disclosures.
 - e. Significant adjustments resulting from external audit.
 - f. The going concern assumption.
 - g. Compliance with accounting standards.
 - h. Compliance with legal/regulatory requirements.
 - i. Reviewing the company's statement on internal control systems prior to endorsement by the Board and reviewing the policies and process for identifying and assessing the risks the company is exposed to and the management of those risks by the company.

Other roles:

- To review the company's procedures for handling allegations from whistleblowers.

Membership

Donald Brydon (Chair)
Moya Greene
Les Owen
TBC - Secretary

Quorum - 2 Directors

Meeting frequency

Quarterly, and as required.

ANNEX C
POST OFFICE LIMITED
REMUNERATION COMMITTEE

Role

- to determine the individual remuneration packages for the executive directors and the Company secretary, subject where necessary to the consent of the Shareholder
- to agree the targets for any performance-related incentive schemes applicable to executive directors and other senior executives
- to agree, after taking input from the Secretary of State, the level of annual bonus awards for the executive directors
- to agree the standard form of contract for executive directors and other senior executives
- to ensure that for executive directors and senior executives, the contractual terms on termination, and any payments made, comply with company policy
- to agree the Directors' Remuneration Report in the Annual Report and Accounts, ensuring that the requirements for the appropriate disclosure of remuneration information, including pensions, are met
- to report the proceedings of the committee to the Board

Membership

Donald Brydon - Chairman
Moya Greene
Les Owen
TBC - Secretary

Quorum - two

Meeting frequency

As necessary