

Post Office Ltd – Strictly Confidential

POST OFFICE LEADERSHIP MEETING UPDATE

POL Governance

1. Purpose

Post Office Ltd (POL) became a sister company to Royal Mail Group (RMG) as at 31st March 2012. Both companies are now owned by Royal Mail Holdings (RMH), RMH will operate only as a vehicle to consolidate both companies' financial results. As a consequence of this separation it is necessary to establish POL with standalone corporate governance processes.

This paper is to inform the Leadership Team of the new Governance structure and delegated authorities to enable us to work effectively with our Board and our shareholder, the government Shareholder Executive (ShEx).

2. Background

The Postal Services Act 2011 included a provision to privatise RMG whilst keeping POL as a wholly owned Government entity. The old structure operated with POL as a subsidiary of RMG, with, until recently, the same Chairman and with continued restricted delegated authorities.

To ensure the business can operate on a stand alone basis it was required to establish an independent Post Office Board with appropriate sub-committees. This will deliver transparent decision making and robust oversight with clear delegated authorities. The POL Board will also take responsibility for oversight of risk.

3. Proposal

The UK Corporate Governance Code, to which POL must 'comply or explain' states:

'Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and to satisfy themselves that an appropriate governance structure is in place. The responsibility of the board includes setting the company's strategic aims, providing leadership to put them into effect, supervising the management of the business and reporting to shareholders and stakeholders.'

In order to fulfil their responsibilities the Board will need to have in place an effective governance structure which will ensure challenge at the appropriate level and clear accountability. The Business will need to have in place a reporting structure to the Board and levels of delegated authority so that the Directors are comfortable that the business is being managed effectively.

Appendix A shows the structure of the Board, its sub-committees and the management meeting's structure.

Appendix B shows the delegated authorities as agreed by the Board.

4. Activities for April 30th meeting:

- please come to the meeting having read the paper which is written in Board format;

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- consider the new company governance, what it means for the business, your directorate, your team and YOU!;
- be ready to share one advantage of the new governance;
- be ready to identify any risks of the new governance;
- be ready to identify one key blocker/barrier to making this work, solutions must simplify and or speed up decision making whilst maintaining a transparent process.
- use these ideas to work through a practical problem in your groups .

5. Conclusion

The establishment of the independent POL Board has enabled the business to start to set up the new governance structure and make our independent business work more effectively. We will all need to behave differently with greater accountability within the governance structure and delegated authorities.

Susan Crichton
April 2012