POL00410532

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POST OFFICE LTD NOMINATIONS COMMITTEE

Evaluation of Board and Committee Effectiveness

1. Purpose

The purpose of this paper is to:

1.1 note that a "light touch" form of evaluation of Board effectiveness will be undertaken within the coming year;

1.2 agree that an evaluation of the effectiveness of the Chairman will be led by Neil McCausland, as the Senior Independent Director; and

1.3 agree that a full, externally facilitated evaluation of Board and Committee effectiveness will be undertaken once every three years, starting from the financial year 2013-2014. .

2. Background

2.1 The UK Corporate Governance Code states that the Board of every listed company should undertake "a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors".

2.2 The evaluation should cover the composition of the board, its diversity, its knowledge and understanding of the business and how it works together as a unit. Listed companies are then required in their Annual Report and Accounts to explain how the evaluation has been conducted. It is recommended that Board evaluation should be externally facilitated at least once every three years for FTSE350 companies

2.3 It is further recommended that the non-executive directors, led by the Senior Independent Director, should be responsible for performance evaluation of the Chairman, taking into account the views of executive directors.

2.4 The Post Office Board was only completed in September 2012. As such, while a review of performance so far would be useful as an internal check, a full scale evaluation exercise would certainly be premature.

3. Proposal

3.1 It is proposed that the Chairman conducts an informal evaluation of performance within a year of the date of appointment of the final non-executive director to the Board (19 September 2012). During 2013, the Chairman will meet each director to seek their views on the Board's progress to date and any suggestions directors have for improvement in the ways of working and overall Board and Committee effectiveness.

3.2 The areas for discussion would be expected to include the quality of information provided to members of the Board in Board papers, the organisation of Board meetings, the ability of directors to contribute both in meetings and more directly

POL00410532

in interacting with the business and Board dynamics. The views sought will also extend to the workings of Board Sub-Committee meetings.

3.3 The Chairman will then report back to the full Board on any common areas identified for improvement, so that the Board can determine priority areas for development which would enable individual directors, Committees and the Board itself to be more effective in decision-making.

3.4 The Senior Independent Director will also arrange to meet the other directors to review the role of the Chairman in this first year of establishment of the Board and provide feedback on any ways in which the Chairman could further promote the effectiveness of the Board.

3.5 Further consideration will be given to the process of evaluation for the financial year 2013-2014, by which time the Board will have been in place for a longer period and a fuller evaluation might be more valuable. External facilitation will be used within a three year period, as recommended by the UK Corporate Governance Code.

3.6 Appropriate wording will be included in the Annual Report for the financial year ending 31 March 2013 to explain the Board's intention to review performance on an annual basis with effect from 1 April 2013.

4. Recommendations

The Nominations Commitee is asked to:

4.1 note that a "light touch" form of evaluation of Board effectiveness will be undertaken within the coming year;

4.2 agree that an evaluation of the effectiveness of the Chairman will be led by Neil McCausland, as the Senior Independent Director; and

4.3 agree that a full, externally facilitated evaluation of Board and Committee effectiveness will be undertaken once every three years, starting from the financial year 2013-2014.

Alwen Lyons
31 January 2013