

POST OFFICE LIMITED  
PENSION COMMITTEE  
TERMS OF REFERENCE

PURPOSE

The Pension Committee is a sub-committee of the Post Office Limited Board, established to provide guidance on, oversight of and authorisation in respect of pensions and pre-retirement risk benefits provision within Post Office Ltd and to put into effect appropriate investment strategies for the Post Office Pension Fund (currently managed and administered within the Royal Mail Pension Plan ("RMPP")) on behalf of the Board and in line with the Board's investment beliefs.

The Pension Committee has the delegated authority of the Post Office Limited Board for Pension matters.

A. COMPOSITION AND GOVERNANCE

1. The Chairman and members of the Committee shall be appointed by the Board.
2. The Committee shall be made up of three members, including at least two independent non-executive directors.
3. The Chairman of the Committee shall have recent and relevant experience of pensions or investment management.
4. In the absence of the Chairman of the Committee at any meeting, the Committee members present shall determine who shall chair the meeting.
5. Members of the Committee will normally serve for a period of three years. Their appointment may be renewed for a further three year period but no non-executive director may serve as a member of the Pension Committee for a period of more than six years.
6. Only members of the committee have the right to attend Committee meetings. The Group People Director (or the holder of any position(s) equivalent to those of General Counsel and HR Director), Head of Reward & Pensions, nominated representatives of the Finance and HR departments and the external Pensions Investment Adviser shall be informed of the date of each meeting and may be invited by the Committee Chairman to attend all or part of any meeting, as and when appropriate. A representative of the Trustee will be invited to attend at least one Committee Meeting each year to discuss investment management performance.
7. The Company Secretary shall not be a member of the Committee but shall act as Secretary to the Committee (or shall nominate an appropriate substitute) and shall keep minutes and records of each meeting and ensure regular reporting by the Committee to the full Board.
8. Minutes of each meeting will be circulated to all members of the Committee and, once agreed, to those members of the Board who have no personal interest in the matters discussed. Where a conflict of interest exists, the Company Secretary will provide sufficient information to the full Board to provide an understanding of the matter(s) considered.
9. If so requested by the Board or by the Shareholder, the Committee shall provide an annual report on its activities.

10. The Committee shall have access to sufficient executive time and resources in order to carry on its duties, including access to the Company Secretary and members of the HR team;
11. The Committee shall have authority to appoint executive advisers and consultants and to obtain, at the Company's expense, actuarial, legal or other professional advice on matters within its terms of reference as required, up to a financial limit determined by the Board.
12. Members of the Committee shall conduct an annual review of the Committee's performance.

#### B. MEETINGS

1. The Committee shall meet as often as required but not less than three times each year. The Committee may meet in person, by telephone or by other electronic means, so long as each member can contribute to the business of the meeting simultaneously.
2. The quorum necessary for the transaction of business shall be 2 members.
3. Meetings may be convened by the Secretary to the Committee, at the request of the Committee Chairman, or by any member of the Committee, at any time.
4. Notice of each meeting shall be given to all members of the Committee and any other person required to attend, at least 3 working days before each meeting.

#### C. DUTIES AND RESPONSIBILITIES

The main duties and responsibilities of the Committee are:

1. to keep under review the funding levels of the Post Office sections within the RMPP (the "Fund") and the contribution rates required from the employer and employees to ensure that the Fund can meet its liabilities and sustain the payment of benefits
2. to ensure that regular meetings are held with the Trustee and report to the Board on any significant outcomes from those meetings
3. to provide regular reports to the Board on the financial position of the Fund, highlighting the need for any changes to contribution levels, benefits or eligibility to participate and reporting on strategies for deficit recovery if required
4. to approve, on behalf of the Board, the design and structure of Post Office pension arrangements and associated life assurance and income protection arrangements; specifically, the introduction of new or significantly revised pension schemes will need to be investigated fully by the Pension Committee
5. to review on behalf of the Board the strategic investment strategy for the Fund
6. to determine on behalf of the Board and review at least annually the preferred asset allocation within the Fund and communicate any proposed changes of investment strategy to the Trustee
7. to communicate to the Trustee the Committee's aims in recommending any particular investment, strategy, including any required rate of return objective and/or risk profile

8. to review with the Trustee the reappointment and/or replacement of investment managers to manage the assets of the Fund
9. to monitor investment performance on a six-monthly basis, net of investment management costs, for the active part of the portfolio
10. to monitor fees for investment management, custodianship and administration and professional advice, including actuarial and consultancy fees and to make adjustments as deemed appropriate, including re-tendering of contracts
11. to approve, on behalf of the Board, the appointment of pensions advisers and consultants and agree their remuneration (up to a maximum annual limit of expenditure of £1 million)
12. with the benefit of independent pensions investment advice, to take such steps as may deemed necessary to protect assets of the Fund from increases in liability which might prejudice its long term sustainability
13. to investigate, on behalf of the Board, the implications of any proposed additional discretionary benefits
14. to review and approve, on behalf of the Board, the pensions accounting assumptions to be used in preparation of the annual accounts of Post Office Limited
15. to review any proposed amendments to trust deeds affecting Post Office Limited or the Post Office Fund(s)
16. to ensure that proper arrangements are made for issuing invitations to join the scheme or making automatic enrolments where required by law, for nominating employee representatives to fulfil statutory requirements and for proper administration of members' records for the Fund
17. to consider on behalf of the Board and in conjunction with the Remuneration Committee any matters relating to proposed pension provision for directors or direct reports of the Chief Executive or any other senior appointments which may involve atypical pension arrangements
18. to undertake any other oversight function delegated to the Committee by the full Board.

#### D. ANNUAL REVIEW

1. The Committee will undertake an annual review of the Terms of Reference and recommend to the Board any necessary changes.
2. These Terms of Reference were last reviewed in July 2014.

Approved by the Board 16 July 2014