

**Governance Materials for UKGI – March 2020**

	Item
<b>1.</b>	NED template appointment letter
<b>2.</b>	Executive governance and materials underpinning the new Articles of Association and Framework Document
<b>a.</b>	<i>Executive meeting structure</i>
<b>b.</b>	<i>Matters Reserved to Board and Table of Delegated Authorities</i>
<b>c.</b>	<i>Audit, Risk and Compliance Committee Terms of Reference</i>
<b>d.</b>	<i>Nominations Committee Terms of Reference</i>
<b>e.</b>	<i>Remuneration Committee Terms of Reference</i>
<b>f.</b>	<i>Table of Obligations</i>
<b>g.</b>	<i>Governance Framework Training Presentation</i>
<b>3.</b>	NED appraisal template
<b>4.</b>	Induction
<b>a.</b>	<i>Induction meetings</i>
<b>b.</b>	<i>Core induction materials</i>

**Finsbury Dials  
20 Finsbury Street  
London  
EC2Y 9AQ**

**PRIVATE AND CONFIDENTIAL**

[Date]

Dear [],

**Letter of appointment as Non-Executive Director**

Following the approval of the Special Shareholder and the recommendation of the Nominations Committee to the Board, I am pleased to issue this letter which sets out the main terms of your appointment as a Non-Executive Director. The Board will be asked to formally ratify your appointment at its meeting on [Date].

By accepting this appointment, you agree that this letter is a contract for services and is not a contract of employment and you confirm that you are not subject to any restrictions which prevent you from holding office as a director.

**1. APPOINTMENT**

Subject to the remaining provisions of this letter, your appointment shall be for a term of three years commencing on [Date] until the Board meeting occurring approximately three years from that date unless terminated earlier by either party giving to the other six months' prior written notice.

- 1.1 Your appointment is subject to the Company's articles of association, as amended from time to time (**Articles**). Nothing in this letter shall be taken to exclude or vary the terms of the Articles as they apply to you as a director of the Company. Your appointment is subject to the prior written consent of the Special Shareholder (as defined within the Articles), [which has been obtained].
- 1.2 Continuation of your appointment is contingent on your continued satisfactory performance and any relevant statutory provisions relating to the removal of a director. If you are retired from office under the Articles, your appointment shall terminate automatically, with immediate effect and without compensation.
- 1.3 You may be required to serve on one or more Board committees. You will be provided with the relevant terms of reference on your appointment

to such a committee. You also may be asked to serve as a non-executive director on the board of any of the Company's subsidiaries or joint ventures. Any such appointment will be covered in a separate communication.

- 1.4 Notwithstanding paragraph 1 to paragraph 1.3, the Company may terminate your appointment with immediate effect if you have:
- (a) committed a material breach of your obligations under this letter;
  - (b) committed any serious or repeated breach or non-observance of your obligations to the Company (which include an obligation not to breach your statutory, fiduciary or common-law duties);
  - (c) been guilty of any fraud or dishonesty or acted in any manner which, in the Company's opinion, brings or is likely to bring you or the Company into disrepute or is materially adverse to the Company's interests;
  - (d) been convicted of an arrestable criminal offence other than a road traffic offence for which a fine or non-custodial penalty is imposed;
  - (e) been declared bankrupt or have made an arrangement with or for the benefit of your creditors, or if you have a county court administration order made against you under the County Courts Act 1984;
  - (f) been disqualified from acting as a director;
  - (g) not complied with the Company's anti-corruption and bribery policy and procedures or the Bribery Act 2010.
- 1.5 On termination of your appointment, you shall, at the Company's request, resign from your office as Non-Executive Director of the Company and any offices you hold in any of the Company's group companies.
- 1.6 If matters arise which cause you concern about your role, you should discuss these matters with the Senior Independent Director or Chairman. If you have any concerns which cannot be resolved, and you choose to resign for that, or any other, reason, you should provide an appropriate written statement to the Senior Independent Director or the Chairman for circulation to the Board.

## **2. TIME COMMITMENT**

- 2.1 You will be expected to devote such time as is necessary for the proper performance of your duties as a director. Overall we anticipate that you will spend a minimum of 24 days a year on work for the Company. This

will include attendance at eight scheduled Board meetings per year, the AGM (if one is called), one annual Board away day event a year (which may span over two days), at least one site visit a year, Board dinners, meetings with the non-executive directors, meetings with representatives of the Special Shareholder, meetings forming part of the Board evaluation process and training meetings. Some of these meetings may involve overseas travel. In addition, you will be required to consider all relevant papers before each meeting. Unless urgent and unavoidable circumstances prevent you from doing so, it is expected that you will attend such of the meetings outlined in this paragraph as may be required.

- 2.2 The nature of the role makes it impossible to be specific about the maximum time commitment. You may be required to devote additional time to the Company in respect of preparation time and ad hoc matters which may arise and particularly when the Company is undergoing a period of increased activity. At certain times it may be necessary to convene additional Board or committee meetings.
- 2.3 The overall time commitment stated in paragraph 2.1 will increase if you become a committee member or chair, or if you are given additional responsibilities, such as being appointed as non-executive director on the board of any of the Company's subsidiaries or joint ventures. Details of the expected increase in time commitment will be covered in any relevant communication confirming the additional responsibility.
- 2.4 By accepting this appointment, you confirm that, taking into account all of your other commitments, you are able to allocate sufficient time to the Company to discharge your responsibilities effectively. You should obtain the agreement of the Chairman before accepting additional commitments that might affect the time you are able to devote to your role as a Non-Executive Director of the Company.

### **3. ROLE AND DUTIES**

- 3.1 The Board as a whole is collectively responsible for the success of the Company. The Board's role is to:
  - (a) provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;
  - (b) set the Company's strategic aims, ensure that the necessary financial and human resources are in place for the Company to meet its objectives, and review management performance; and



- (c) set the Company's values and standards and ensure that its obligations to its shareholders and others are understood and met.
- 3.2 As a Non-Executive Director you shall have the same general legal responsibilities to the Company as any other director. You are expected to perform your duties (whether statutory, fiduciary or common law) faithfully, diligently and to a standard commensurate with the functions of your role and your knowledge, skills and experience.
- 3.3 You shall exercise your powers in your role as a Non-Executive Director having regard to relevant obligations under prevailing law and regulation, including the Companies Act 2006 and the UK Corporate Governance Code and associated guidance.
- 3.4 You shall have particular regard to the general duties of directors in Part 10 of the Companies Act 2006, including the duty to promote the success of the Company under which all directors must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, as a director, you must have regard (among other matters) to:
  - (a) the likely consequences of any decision in the long term;
  - (b) the interests of the Company's employees;
  - (c) the need to foster the Company's business relationships with suppliers, customers and others;
  - (d) the impact of the Company's operations on the community and the environment;
  - (e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
  - (f) the need to act fairly as between the members of the Company.
- 3.5 You shall have particular regard to the Financial Reporting Council's UK Corporate Governance Code and associated Guidance on Board Effectiveness in respect of the role of the Board and the role of the non-executive director and to the Code of Conduct for Board Members on Public Bodies.
- 3.6 In your role as Non-Executive Director, you shall also be required to:
  - (a) constructively challenge and help develop proposals on strategy;
  - (b) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;

- (c) satisfy yourself on the integrity of financial information and that financial controls and systems of risk management are robust and defensible;
- (d) be responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing senior management and in succession planning;
- (e) devote time to developing and refreshing your knowledge and skills;
- (f) uphold high standards of integrity and probity and support the executive directors in instilling the appropriate culture, values and behaviours in the boardroom and beyond;
- (g) satisfy yourself as to the Company's ongoing and consistent compliance with any regulatory responsibilities;
- (h) insist on receiving high-quality information sufficiently in advance of Board meetings;
- (i) take into account the views of shareholders and other stakeholders where appropriate;
- (j) make sufficient time available to discharge your responsibilities effectively;
- (k) exercise relevant powers under, and abide by, the Articles;
- (l) disclose the nature and extent of any direct or indirect interest you may have in any matter being considered at a Board or committee meeting and, except as permitted under the Articles you will not vote on any resolution of the Board, or of one of its committees, on any matter where you have any direct or indirect interest;
- (m) immediately report your own wrongdoing or the wrongdoing or proposed wrongdoing of any employee or other director of the Company of which you become aware to the senior independent director;
- (n) exercise your powers as a director in accordance with the Company's policies and procedures, internal control framework and the Bribery Act 2010; and
- (o) not do anything that would cause you to be disqualified from acting as a director.

3.7 Unless the Board specifically authorises you to do so, you shall not enter into any legal or other commitment or contract on behalf of the Company.

- 3.8 You shall be entitled to request all relevant information about the Company's affairs as is reasonably necessary to enable you to discharge your duties.

**4. FEES AND EXPENSES**

- 4.1 You shall be paid an annual fee of [Fee] (current at the date of this letter), which shall be paid in equal instalments monthly in arrears through PAYE after deduction of any taxes and other amounts that are required by law, which shall be subject to a periodic review by the Board. This fee covers all duties, including service on any Board committee.
- 4.2 The Company shall reimburse you for all reasonable and properly documented expenses that you incur in performing the duties of your office. The procedure and other guidance in respect of expense claims is available from the Company Secretary.
- 4.3 On termination of your appointment, you shall only be entitled to such fees as may have accrued to the date of termination, together with reimbursement in the normal way of any expenses properly incurred before that date.

**5. INDEPENDENT PROFESSIONAL ADVICE**

In some circumstances you may consider that you need professional advice in the furtherance of your duties as a director and it may be appropriate for you to seek advice from independent advisers at the Company's expense. A copy of the Board's agreed procedure under which directors may obtain such independent advice is available from the Company Secretary. The Company shall reimburse the reasonable cost of expenditure incurred by you in accordance with its policy.

**6. OUTSIDE INTERESTS**

- 6.1 You have already disclosed to the Board the commitments you have outside your role in the Company. You must inform the Chairman in advance of any changes to these commitments. In certain circumstances, you may have to seek the Board's agreement before accepting further commitments which either might give rise to a conflict of interest or a conflict with any of your duties to the Company, or which might impact on the time that you are able to devote to your role at the Company.
- 6.2 It is accepted and acknowledged that you have business interests other than those of the Company and have declared any conflicts that are apparent at present. If you become aware of any further potential or

actual conflicts of interest, these should be disclosed to the Chairman and Company Secretary as soon as you become aware of them and again you may have to seek the agreement of the Board.

## **7. CONFIDENTIALITY**

- 7.1 You acknowledge that all information acquired during your appointment is confidential to the Company and should not be released, communicated or disclosed to third parties or used for any reason other than in the interests of the Company, either during your appointment or following termination (by whatever means), without prior clearance from the Chief Executive. This restriction shall cease to apply to any confidential information which may (other than by reason of your breach) become available to the public generally.
- 7.2 You acknowledge the need to hold and retain Company information (in whatever format you may receive it) under appropriately secure conditions.
- 7.3 Nothing in this paragraph 7 shall prevent you from disclosing information which you are entitled to disclose under the Public Interest Disclosure Act 1998, provided that the disclosure is made in accordance with the provisions of that Act and you have complied with the Company's policy from time to time in force regarding such disclosures.

## **8. TRAINING**

On an on-going basis, and further to the annual evaluation process, the Company may arrange for you to develop and refresh your skills and knowledge in areas which are mutually identified as being likely to be required, or of benefit to you, in carrying out your duties effectively. You should try to make yourself available for any relevant training sessions which may be organised for the Board.

## **9. INSURANCE AND INDEMNITY**

The Company has directors' and officers' liability insurance and it intends to maintain such cover for the full term of your appointment. The indemnity limit is £60m (current at the date of this letter).

## **10. CHANGES TO PERSONAL DETAILS**

You shall advise the Company Secretary promptly of any change in your address or other personal contact details.

**11. RETURN OF PROPERTY**

On termination of your appointment with the Company however arising, or at any time at the Board's request, you shall immediately return to the Company all documents, records, papers or other property belonging to the Company which may be in your possession or under your control, and which relate in any way to the Company's business affairs and you shall not retain any copies thereof.

**12. MORAL RIGHTS**

You hereby irrevocably waive any moral rights in all works prepared by you, in the provision of your services to the Company, to which you are now or may at any future time be entitled under Chapter IV of the Copyright Designs and Patents Act 1988 or any similar provisions of law in any jurisdiction, including (but without limitation) the right to be identified, the right of integrity and the right against false attribution, and agree not to institute, support, maintain or permit any action or claim to the effect that any treatment, exploitation or use of such works or other materials, infringes your moral rights.

**13. POST-TERMINATION RESTRICTION**

By countersignature of this letter and in consideration for the fees payable to you under the terms of this letter, you agree that, in order to protect the confidential information, trade secrets and business connections of the Company to which you have access as a result of your appointment, you will not (without the previous consent in writing of the Company), for the period of six months immediately after the termination of your appointment, whether as principal or agent and whether alone or jointly with, or as a director, manager, partner, shareholder, employee consultant of, any other person, carry on or be engaged, concerned or interested in any business which is similar to or which is (or intends to be) in competition with any business being carried on by the Company or any company in the Company's group.

**14. DATA PROTECTION**

Post Office Limited is the Data Controller for the information about you that we use and hold. We comply with the UK Data Protection Act and respect your privacy in everything we do. We collect information from you such as name, bank details, NI number in order to pay expenses in accordance with this letter. We collect information for justifiable purposes such as providing you with access to Post Office systems and providing training.

For more information please contact our Data Protection Officer by sending an email to [data.protection@](mailto:data.protection@) **GRO**

**15. THIRD PARTY RIGHTS**

No one other than you and the Company shall have any rights to enforce the terms of this letter.

**16. ENTIRE AGREEMENT**

16.1 This letter constitutes the entire terms and conditions of your appointment and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between you and the Company, whether written or oral, relating to its subject matter.

16.2 You agree that you shall have no remedies in respect of any representation, assurance or warranty (whether made innocently or negligently) that is not set out in this letter and you shall not have any claim for innocent or negligent misrepresentation or negligent misstatement based on any statement in this letter.

**17. VARIATION**

No variation of this letter shall be effective unless it is in writing and signed by you and the Company (or respective authorised representatives).

**18. GOVERNING LAW AND JURISDICTION**

Your appointment with the Company and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales and you and the Company irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this appointment or its subject matter or formation (including non-contractual disputes or claims).

Please indicate your acceptance of these terms by signing and returning to the attached copy of this letter to me.

Yours sincerely

.....

Veronica Branton (Company Secretary)  
For and on behalf of Post Office Limited

I agree to the above terms of my appointment as Non-Executive Director of Post Office Limited as set out in this letter.

Signed on [2019]

.....

[Name]  
Non-Executive Director



Post Office Limited: Operating Rhythm													
<ul style="list-style-type: none"><li>Monday Group CEO Direct Reports Check in meeting (60 mins) - the focus is on the week ahead and any issues that have emerged in the previous week.</li><li>Leadership Council (120 mins. Fortnightly on Tuesday or Wednesday) - the primary objective is to bring the Leadership of the Organisation together to tackle Group wide issues – business performance, culture, purpose, performance management and cross functional alignment.</li><li>Wednesday 10@10 - FD wide, all colleagues town hall meeting. The objective is to inform colleagues about business performance, corporate issues and our change agenda.</li><li>Steering Groups are set up to take decisions/ escalate to GE as appropriate for projects/ major topics (e.g. GLO, Telecoms RFP/ sale)</li></ul>													
1. Tuesday Trading and Business Performance meeting		2. Wednesday tactical GE meeting (120 mins) Chair: Nick Read Secretariat: Veronica Branton		3. Wednesday strategic monthly GE meeting (All day) Chair: Nick Read Secretariat: Veronica Branton		4. Monthly UK Operations meeting (120 mins. Wednesdays) Chair: Al Cameron		5. Monthly Customer Plan meeting		6. Investment Committee Chair: Dan Zinner Secretariat: Saira Burwood		7. Risk, Compliance and Governance meeting Chair: Al Cameron Secretariat: David Parry	
Group wide weekly tactical meeting which reviews business performance through key trading data and core KPI's. One pack, one version of truth.		No formal pre-reads. The focus is upon tactical decision making. Topics typically 15-30 minutes in duration. Time is kept aside for issues which emerge from the Monday check in.		The GE assists the Group CEO in running the business and is the forum for major operational decisions.  Scheduled two weeks before the monthly Board meeting. All papers in advance. Topics should be strategic and forward looking with enough meaningful time for debate.		This is a strategic meeting, which focuses upon lowering our cost to serve and delivering a simple and improved offer to Postmasters. Productivity, efficiency, cost reduction and associated change plans will drive the agenda.		This is a strategic meeting, which focuses upon improving our customer proposition and delivering upon our brand promises. Outputs will include; growing our customer base, deepening our customer relationships, driving footfall and increasing revenue.		The IC assesses Business Case proposals with a spend between £2m and £5m and those with a contract spend over £5m for submission to Board.		The RCC supports the Group Executive (GE) in fulfilling their responsibilities in the effective oversight of risk management, internal control and assurance, and compliance in the Company. The Committee reports to the Board's Audit, Risk and Compliance Committee	
1.	Review of business performance and key trading data.	1.	Tactical decision items which cannot wait for or be accommodated on the monthly GE agenda.	1.	Monthly business and trading performance.	1.	Implementation and tracking of Operational Plans.	1.	Implementation and tracking of customer proposition and brand strategy.	1.	Approval of Business Cases between £2m - £5m. Approval of contract spend over £5m for submission to the Board.	1.	Risk Management
				2.	Review of Board items.							2.	Compliance
				3.	Development and implementation of strategy.							3.	Audit
				4.	Approval and oversight of Operational Plans.							3.	Internal controls
				5.	Budget and Five Year Plan.							4.	Annual Report and Accounts
				6.	Communications Strategy.							5.	Review of ARC items
				7.	People Strategy.								
	Output: Trading and performance figures across the business. Immediate actions to address performance issues		Output: Actions and record of decisions, as required.		Output: Minutes and actions Approval of papers for Board		Output: Actions as required		Output: Actions as required		Output: Actions and record of decisions		Output: Minutes (circulated to ARC) and actions Approval of papers for ARC

## Changes to Matters Reserved to the Board & Terms of Reference

### Matters Reserved to Board

The Matters Reserved to Board were approved in 2015. These note that certain matters require shareholder consent and set out the main categories of approvals reserved to Board such as setting strategy. The following additions have been made:

- a general section on the purpose of the Board, requirement to operate in accordance with the Articles of Association and in compliance with the Companies Act 2006
- the matters that requires Shareholder consent which now include group matters reserved as well as company matters reserved
- an explicit delegation of authority to the Group Chief Executive Officer for the day-to-day running of the company
- appendices with the spend approval limits, the authorised signatories and company seal authority, treatment of liabilities and indemnities
- Table of Delegated Authorities, mapping out the approval stages for decisions.

### Terms of Reference (ToR)

We've made changes to produce a consistent format and terminology so it is clear whether the Committee is:

- receiving information to ensure that appropriate processes, policies and controls are in place and/or monitoring implementation of agreed processes, policies and controls in its assurance and oversight role;
- taking a decision under its delegated authority from the Board; or
- approving for recommendation to the Board or Shareholder where the ultimate authority rests with them.

Principally we've used the terms **Review**, **Approve**, **Approve for recommendation**.

Reporting responsibilities, authority and annual review and approval have been included as sections in each ToR.

### Matters Reserved to the Board

Document Paragraph(s)	<i>Note the Matters Reserved to the Board were last updated in 2015.</i>
<b>Changes because of AoA revisions and addition of the Framework Document</b>	
6 & 7	<p>Reflects that there are now Company &amp; Group Matters Reserved (previously no Group Matters as not a Group).</p> <p>Company Reserved Matters are all as before.</p> <p>Group Reserved Matters within the AoA and Framework Document (where applicable): Matters concerning all Group</p>

	<p>Companies now requiring Shareholder (BEIS) consent that was not required before:</p> <ul style="list-style-type: none"> <li>- The entry into administration of the Company.</li> <li>- The formation of any subsidiary undertaking or the purchase, cancellation of transfer of Shares, or granting of any Share Rights, in the company.</li> <li>- The sale, issue, allotment, purchase, cancellation or transfer of any shares by the company in any subsidiary or associated undertaking.</li> <li>- The amalgamation or merger of the company with any other company or business undertaking.</li> <li>- The creation or granting of any encumbrance over the whole or any part of the company's business, undertaking, assets or over any Shares unless arising in the ordinary course of business).</li> <li>- Making of a loan, granting of credit or giving of a guarantee or indemnity apart from intra-group arrangements entered into in the ordinary course of business.</li> <li>- The restructure or reorganisation of the Group Structure such that the Company's shareholding in its subsidiary undertakings is altered or amended</li> <li>- The appointment, remuneration of any person who is not a member of the Group as a director of any member of the Group (other than the company and a member of the Group that is regulated by the FCA</li> <li>- The additional remuneration of any employee (but not salary arrangements) of a member of the Group in their capacity as a director of a member of the Group</li> <li>- The establishment of (or approval of any agreement to establish) a new pension scheme by the company</li> <li>- Adoption, and variation of, Group/Company Business Plan (previously only Strategic Plan required approval).</li> </ul>
8 (i)	Amendment to reflect requirement to develop a Group Strategic Plan (under the Framework Document)
8 (xi)	Addition of purpose of ensuring that any statutory or administrative requirements for the use of public funds are complied with, having regard to the requirements under the Articles of Association, the Framework Document and associated guidance (to reflect requirements under the Framework Document).
9 (i)	Matters requiring Shareholder Consent require Board approval (in some instances are approved by a Board Committee – see Table of Delegated Authorities)
9 (x)	The provision regarding dividends has been updated to reflect where the dividend is within the Group Strategic Plan and references where POL must approve subsidiary dividend declarations.

<b>Changes made to reflect best practice and the Code</b>	
1 - 3	Purpose amended to reflect duty to comply with AoA, regulatory requirements and the Code (where appropriate). Wording otherwise revised for stylistic reasons.
8 (ii)	Approval of the Group's purpose and values (Code Principle B)
9 (ii)	Approval of the Group's purpose and values (Code Principle B – which includes strategy but this requires Shareholder approval)
9 (xxx)	Addition of approval of Board Committee Terms of Reference (this also happens in practice)
8 (viii), 9, 12 & 13	Addition of a delegation to the Chief Executive (rather than Group Executive) which is how the delegation exists in practice and this addition makes it clear and explicit. There is also the addition of the requirement for the Board to approve the division of responsibilities between the chair, chief executive and senior independent director (Code Principle K)
<b>Changes to reflect current operational practice which is not reflected in the MRB currently</b>	
9 (vi)	The approvals relating to succession planning, talent management and diversity have been updated to reflect what the Nominations and Remuneration Committees actually do.
9 (xv – xvii)	The financial commitments section has been updated to reflect the approvals that Board undertakes in practice as has developed since the last update to the Matters Reserved to the Board and the addition of subsidiary companies.
9 (xviii)	Removal of reference to pension <i>investment</i> strategy and monitoring performance of investment managers which is undertaken by the trustees.
9 (xx)	Insertion of definition of a senior employee (from the Remuneration Committee Terms of Reference)
9 (xxi)	Addition of requirement to approve subsidiary director remuneration (appointment already provided for).
9 (xxii)	Approval of Group Remuneration Policy ( <i>work in progress</i> ) and introduction of an STIP scheme plus criteria and amount of awards (previously only referred to LTIP).
9 (xxiii)	Approval of Group policies amended to refer to key policy framework which sets out where policies may be approved
10 -11	Updated to reflect current committee structure
14 - 17	Membership and Secretary sections updated to remove names and to amend number of Non-Executive directors (being six, including the Chair, Senior Independent Director and Shareholder Representative)
20	Removal of a requirement to hold eight Board meetings per year and two strategy sessions to avoid this being too prescriptive.
23	Amended to reflect that Group employees may attend Board meetings at the request of the Chair (previously Post Office), so this now includes all Group Companies.
24	Addition of ability to pass resolutions in writing which is permitted under the AoA and happens in practice.
25	Correction of typo within the original Matters Reserved.

Appendices	Addition of Spend Approval Limits, Authorised Signatory & Company Seal Authority list & Liabilities and Indemnities Approvals. Each were previously found in separate documents and are now collated into this single document for ease of use.
Appendices	Addition of a Table of Delegated Authorities which sets out the approvals path for matters requiring a decision from Executive Committee to Shareholder (BEIS) and flags where other sources may require consulting (e.g. relevant policies and processes).

### Audit, Risk and Compliance Committee

ToR Paragraph	
<b>Changes because of changes made in the AOA</b>	
8 -9	Approval of changes to accounting reference date, practice or policy required by law or generally accepted accounting policies or not (in the latter case for Shareholder consent)
<b>Changes made to reflect best practice and the Code</b>	
B	Revision of headings and categorisation of duties relating to the Committee's duties to reflect the model ToR from the Governance Institute.
2	Monitoring the integrity of the financial statements – wording reflects the model ToR from the Governance Institute.
5	Review and report to the Board on significant financial reporting issues
7	Addition of reporting to the Board when not satisfied with proposed financial reporting
9	Review and approve the statements in the ARA concerning internal controls and risk management
10	Wording amended to reflect the model ToR which simply amalgamates duties listed in other areas of the existing ToR
24	Adequacy and security of Whistleblowing arrangements. This also happens in practice.
25, 27 & 28	These provisions have been reworded and expanded upon in line with model ToR. This also happens in practice.
30 – 35, 37	This section has been taken from the model ToR adapted to the specific requirements of POL. Key changes: <ul style="list-style-type: none"> <li>- Direct access of Internal Audit to Board and Committee Chair</li> <li>- Requirement to meet with the internal auditor once a year without management present</li> <li>- Determine whether third party independent review is required</li> </ul>
39	Review and approve selection procedure for appointment of the audit firm.
40	If an Auditor resigns, review the issues leading to this and determine whether any action is required.
42	Review the findings of the external audit (reworded as originally more limited)
43	Addition of review of representation letters



45	Monitoring of the independence of the external audit
47	Addition of requirement to meet regularly and at least once a year without management.
48	Assessment of qualifications, expertise and resources and effectiveness of audit process
49	Coordination with internal audit to be ensured.
50 - 52	Reporting responsibilities to the Board, in the ARA
54 - 57	Authority outlined in more detail (paragraph 58 was part of original ToR)
61	Inclusion of requirement to be independent. Chair cannot be a member of the Committee (Code Provision 24)
62	Appointment of Chair and election of cover if chair is not present.
72	Convening of meetings – added possibility of any members, external audit or internal audit requesting meetings (as per Model ToR).
<b>Changes to reflect current operational practice which is not reflected in the ToR currently</b>	
1	Change of Company to Group reflecting the Committee oversight role of its subsidiaries. Addition of risk appetite monitoring which happens in practice.
3 & 4	Approval of the ARA & half yearly results for recommendation to the Board (also in model ToR for ARC to review results requiring Board approval). This has been incorporated with the existing references to what should be reviewed. Other sections are incorporated into paragraph 5.
7	Approval of Treasury Policy
16	List of risks reviewed with Head of Risk and clarified in simpler definition, with expansion in footnote.
18	Change of Company to Group reflecting the Committee oversight role of its subsidiaries.
21	Breach analysis happens in practice.
22	The ARC approves the Group Insurance in practice.
29	This happens in practice and is part of the ARC's role in monitoring compliance.
31	Addition of every 2 years on the requirement to approve the Internal Audit Charter.
53	Amendment of minutes for noting from POMS to receive reports from subsidiary companies regularly and as requested by the Committee (reflecting Post Office Insurance and Payzone and fact that the minutes are not provided, but reports).
70	Notice amended to three working days in line with the Board and other Committees

**Nominations Committee:**

<b>Changes because of changes made in the AoA</b>	
	N/A
<b>Alignment between the Matters Reserved to Board and the Terms of Reference</b>	

	N/A
<b>Changes made to reflect best practice because of changes to the Governance Institute's model terms which we propose adopting</b>	
ToR Paragraph	
18.	Review the Group's Governance Framework.
<b>Changes to reflect current operational practice which is not reflected in the ToR currently</b>	
1.(iii)	Approve the appointment of individuals to the Company subsidiary boards (Payzone now included).
1.(iv)	Approve the nomination for appointment and reappointment of individuals employed by the Company to the First Rate Exchange Services Holdings Limited ("FRESH") Board, and approve the proposal for removal of individuals employed by the Company from the FRESH Board.
21.	Review and approve the processes for Board and Committee evaluations.
22.	Approve the appointment of external facilitators for Board and Committee evaluations.
23.	Review developments in corporate governance and determine whether changes should be made to the Group's governance arrangements.

**Remuneration Committee:**

<b>Changes because of changes made in the AoA</b>	
	N/A
<b>Alignment between the Matters Reserved to Board and the Terms of Reference</b>	
13.	Approve for recommendation to the Board <sup>1</sup> , the establishment of (or approval of any agreement to establish) a new pension scheme by any member of the group.
14.	Have oversight and approve for recommendation to the Board any material changes to the pension arrangements for company employees, in particular affecting the rate of contributions required to be made <sup>2</sup> .
15.	Approve for recommendation to the Shareholder of any exit package that would be in excess of the contractual obligations for the Group Chief Executive and Chief Financial Officer (previously silent on CEO).
<b>Changes made to reflect best practice because of changes to the Governance Institute's model terms which we propose adopting</b>	
ToR Paragraph	
41.	The Secretary shall provide current and new Committee members with any training, briefings or induction required under the supervision of the Chair (change in wording).

<sup>1</sup> Which in turn requires the approval of the Shareholder.

<sup>2</sup> Executive Directors' remuneration packages and changes to these, including pensions, must be approved by the Shareholder.



Tab 8 Governance report to Board (including the new Articles of Association)

<b>Changes to reflect current operational practice which is not reflected in the ToR currently (with relevant ToR paragraph)</b>	
	N/A

**Post Office Limited**  
**("the Company")**  
**Matters Reserved to the Board**

**A. Purpose**

1. The Board is collectively responsible for setting the Company's strategic direction and primary business objectives. It establishes a robust governance framework and ensures that the Company has financial and human resources required to achieve its agreed objectives.
2. The Company is required to operate in accordance with the Companies Act 2006, the Company's Articles of Association (the Articles) and any other applicable and appropriate regulatory requirements. The Company seeks to comply with the Financial Reporting Council's UK Corporate Governance Code 2018, where appropriate.<sup>1</sup>
3. The Directors' statutory duties are set in the Companies Act 2006. One of the primary duties of the Directors is to promote the success of the Company for the benefit of its Shareholder<sup>2</sup> and taking into account the interests of key stakeholders.

**B. Matters Reserved to the Shareholder**

4. In accordance with the Company's Articles, the Shareholder may, by special resolution, direct the directors to take, or refrain from taking, any specified action (Article 45).
5. Article 8.1 (A) – (F) sets out certain powers reserved to the Shareholder regarding Company Matters, which may occur and be effective only with prior written consent from the Shareholder:
  - i. Appointment, reappointment or removal from office of any director, chief executive (or equivalent) or Chair of the Company (Articles 8.1 (A) (i)-(iii), 40, 42, 44)
  - ii. Any change in the prescribed minimum number of directors of the company (Article 8.1 (B) (via the Nominations Committee))
  - iii. The appointment of any person other than a director of the company as an alternate director of any director of the company (Article 8.1 (C))
  - iv. Any action taken by any company or the Board (including any appointment, removal or re-designation) which would have the effect that the Board ceased to include directors appointed to the post of Chair, chief executive and finance director (or directors carrying out the general functions denoted by such posts) (Article 8.1 (D))
  - v. Approval or variation of director and officer remuneration and/or terms and conditions of employment or engagement (Articles 8.1(E), 50-52 (via the Remuneration Committee))

<sup>1</sup> As required under section 9.4 of the Framework Document between Post Office Limited, the Department of Business, Energy & Industrial Strategy (BEIS) & UK Government Investments (UKGI) (the Framework Document).

<sup>2</sup> BEIS

Post Office Limited  
Matters Reserved to the Board

- vi. Declaration or payment of a dividend or other distribution outside of the Group Strategic Plan (Article 8.1 (F))
- vii. Any distribution, payment or return to Shareholders of the Company out of capital of the Company (Articles 8.1 (G), 76)

**6.** Article 8.1 (H) – (Z) sets out the powers reserved to the Shareholder relating to Group Matters, which may occur and be effective only with prior written consent from the Shareholder:

- i. The alteration or deletion of, or the ratification of any breach of, all or any part of the Articles (Articles 8.1 (H))
- ii. Voluntary winding up or entry into administration of the company (Article 8.1 (I))
- iii. Redemption or purchase of the Company's own shares or reduction in share capital (Article 8.1 (J))
- iv. Set up of a new subsidiary company or any action relating to shares in the Company (Article 8.1 (K))
- v. Any action relating to shares held by the Company in a subsidiary or associated undertaking<sup>3</sup> or in First Rate Exchange Services Holdings Limited (while an associated undertaking of a member of the Group) or in any other associated undertaking of a member of the Group (Article 8.1(L))
- vi. The amalgamation or merger of the Company with any other company or business undertaking (Article 8.1 (M))
- vii. The creation or granting of any encumbrance relating to the Company's business, undertaking, assets or Shares unless arising in the ordinary course of business<sup>4</sup> (Article 8.1 (N))
- viii. Making of a loan, granting of credit or giving of a guarantee or indemnity apart from intra-group arrangements entered into in the ordinary course of business<sup>5</sup> (Article 8.1 (O))
- ix. The restructure or reorganisation of the Group structure such that the Company's shareholding in its subsidiary undertakings is altered or amended (Article 8.1 (P))
- x. The actual or proposed presentation of a petition to appoint an administrator of the Company (Article 8.1 (Q))
- xi. Change to accounting reference date, practice or policy if different from the Group and unless required by law or generally accepted accounting principles (Article 8.1 (R))
- xii. The appointment, remuneration of any person who is not a member of the Group as a director of any member of the Group (other than

<sup>3</sup> An associated undertaking is defined as an entity over which a company has significant influence but cannot exercise control (pursuant to International Accounting Standard 28) and normally demonstrated by 20-50% shares held. A subsidiary undertaking is defined as (a) holds a majority of the voting rights in it, (b) or is a member of it and has the right to appoint or remove a majority of its board of directors, or (c) is a member of it and controls alone, pursuant to an agreement with other members, a majority of the voting rights in it (s.1159 CA 2006).

<sup>4</sup> This is a factual analysis that must be conducted on a case-by-case basis.

<sup>5</sup> As previously defined.

Post Office Limited  
Matters Reserved to the Board

- the company and a member of the Group that is regulated by the FCA (Article 8.1 (S)); or
- xiii. The additional remuneration of any employee (but not salary arrangements) of a member of the Group in their capacity as a director of a member of the Group (Article 8.1 (S))
  - xiv. The establishment of (or approval of any agreement to establish) a new pension scheme by the company (Article 8.1 (T))
  - xv. The adoption of or any material variation or amendment of a Group Strategic Plan previously adopted (Article 8.1 (U) and Group Business Plan (Section 4.2 Framework Document)<sup>6</sup>
  - xvi. The adoption, material variation or amendment to a Group Strategic Plan previously adopted (Article 8.1 (V))
  - xvii. Entry into a Relevant Transaction<sup>7</sup> the Company's interest in an asset is lost meaning it can no longer perform the business of the Company as per the Group Strategic Plan (Article 8.1 (W))
  - xviii. The entry into or implementation of a Relevant Transaction<sup>8</sup> by the Company involving actual or likely spend or liability in excess of £50,000,000 (Article 8.1 (X))
  - xix. The entry by the Company into any Relevant Transaction<sup>9</sup> which is not on commercial terms and is not considered by the Board to be in the interests of the company (Article 8.1 (Y))
  - xx. Any action in relation to the Post Office Trade Mark which prevents the Group using the Trade Mark, including sale, assignment, charging, mortgaging, granting of licence or disposal (Article 8.1 (Z))
  - xxi. The borrowing of funds from any source other than another member of the Post Office Group, Article 8.1 (Z) (AA))

## C. Duties & Responsibilities

- 7.** In addition to its legal duties, the Board has the following specific responsibilities:
- i. Setting the strategic direction of the Group by developing a Group Strategic Plan and Group Business Plan;
  - ii. Establishing the Company's purpose and values;
  - iii. Setting the Company's risk appetite and ensuring a proper framework exists for the management of risk;
  - iv. Maintenance of proper accounting and tax records, as required by the Companies Act 2006;
  - v. Maintenance of a sound system of internal control so that the Company can meet its statutory and regulatory obligations;

<sup>6</sup> Subsidiary Company Business Plans require the approval of the Company and Shareholder.

<sup>7</sup> Relevant Transaction is any transaction which is not (i) in the ordinary course of business, (ii) intra-group; or (iii) approved in the Group Strategic Plan (Article 2).

<sup>8</sup> As previously defined

<sup>9</sup> As previously defined

Post Office Limited  
Matters Reserved to the Board

- vi. Maintenance of the reputation of the Company as a public institution, including consideration of new products and activities which may attract public interest or have an impact on the value of the Company's brand;
  - vii. Ensuring regular and active communications with the Shareholder, particularly on the Company's performance against the Strategic Plan and other key indicators;
  - viii. Delegation of authority to Board Committees according to their respective Terms of Reference;
  - ix. Delegation of authority to the Group Chief Executive;
  - x. Formal evaluation of the performance of the Board and Board Committees; and
  - xi. Ensuring that any statutory or administrative requirements for the use of public funds are complied with, having regard to the requirements under the Articles of Association, the Framework Document and associated guidance.
- 8.** Pursuant to Article 49, the Board may delegate any of the powers conferred to them under the Articles to any executive director or committee as they see fit. Whilst the Board may choose to so delegate, the following matters are reserved to the Board, unless a specific delegation is in place (the Board may revoke any delegated authority granted):

**Approve** for recommendation to the Shareholder on those matters requiring Shareholder consent, as specified in the Articles (see paragraph B above)<sup>10</sup>;

**9.** *Strategy & Management*

- i. **Approve** the Group's purpose, and values ;
- ii. **Approve** the Funding Agreement with the Shareholder and monitoring of the achievement of milestones contained within the plan;
- iii. **Approve** the adoption of and **review** annually the criteria for measurement of performance (Key Performance Indicators) and management<sup>11</sup>;
- iv. **Review** and **monitor** necessary corrective action required in light of reviews of performance against the Group Business Plan;
- v. **Approve** succession plans for directors of Group Companies and **monitor** diversity, talent management and succession plans for senior leaders of the Group (delegated to the Remuneration and Nominations Committees).

<sup>10</sup> Certain matters may be approved by a Board Committee. Please refer to the Delegated Authorities Table.

<sup>11</sup> The Company is required to provide quarterly reports to the Shareholder on the targets and budgets set out in the GSP and the performance of the branch network (FD Section 13).

Post Office Limited  
Matters Reserved to the Board

## 10. Ownership, Capital Structure & Constitution<sup>12</sup>

**Approve** the change of the Company Name, trading name or Registered Office for any member of the Group

## 11. Financial Reporting & Controls

- i. **Approve** the Annual Report and Accounts (on recommendation from the Audit, Risk and Compliance Committee);
- ii. **Approve** the half-yearly results<sup>13</sup> (on recommendation from the Audit, Risk and Compliance Committee);
- iii. **Approve** the recommendation for declaration of dividend and payment of interim dividend (within the Group Strategic Plan) (Articles 68 – 69)<sup>14</sup>;
- iv. **Approve** the risk appetite statement (on recommendation from the Audit, Risk & Compliance Committee);
- v. **Review** the Company's risk management systems, internal controls and key systems (delegated to the Audit, Risk & Compliance Committee);
- vi. **Approve** changes to accounting reference date, practice or policy by the Company as required by law or generally accepted accounting principles (delegated to the Audit, Risk & Compliance Committee);
- vii. **Approve** of Group treasury and banking policies, including methods of mitigating against foreign currency exposure and any use of financial derivatives (delegated to the Audit, Risk & Compliance Committee);
- viii. **Monitor** the independence of the external auditor (delegated to the Audit, Risk & Compliance Committee).

## 12. Financial Commitments

- i. **Approve** the entry into or implementation of a transaction (OPEX spend) by the Company involving actual or likely spend or liability<sup>15</sup> up to £50,000,000;<sup>16</sup>
- ii. **Approve** the entry into or implementation of a transaction by the Group involving actual or likely spend or liability in excess of £5,000,000 for Post Office Management Services Limited, and £2,000,000 for Payzone Bill Payments Limited;
- iii. **Approve** change spend over £5,000,000 for the Group (£2,000,00 for Payzone Bill Payments Limited);

<sup>12</sup> All other matters require Shareholder consent (see paragraph B above).

<sup>13</sup> Where produced

<sup>14</sup> Declaration or payment of any dividend outside of the Group Strategic Plan requires Shareholder consent (see paragraph B above). The Company is required to consent declarations of dividends *within* the Group Strategic Plan for Subsidiary Companies.

<sup>15</sup> See above

<sup>16</sup> See appendix for approvals required for unlimited liabilities and indemnities. There are certain matters where there is a risk of loss or liability or a wider risk which should be escalated to the Board (and, in some instances, the Shareholder). These instances may also come under the matters requiring Shareholder consent.



Post Office Limited  
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- iv. **Approve** the Group pension strategy and any material changes to pension arrangements for the Group, in particular reflecting the rate of contribution made (on recommendation from the Remuneration Committee).

**13. Appointment and Senior Remuneration**

- i. Approve the appointment or removal of the Secretary (Article 66);
- ii. Approve the appointment, remuneration or dismissal of senior employee<sup>17</sup> (delegated to the Nominations and Remuneration Committees);
- iii. Approve the appointment, reappointment, removal and remuneration of directors for Subsidiary Companies<sup>18</sup> (delegated to the Nominations and Remuneration Committees);
- iv. Approve the Group Remuneration Policy<sup>19</sup> (on recommendation from the Remuneration Committee);
- v. Approve the introduction of any long or short term incentive scheme, performance criteria and any awards made under such schemes (delegated to the Remuneration Committee)<sup>20</sup>;
- vi. Approve the appointment, reappointment or removal of the Group's principal professional advisors, <sup>21</sup> including the external auditor (on recommendation from the Audit, Risk & Compliance Committee).

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**14. Governance**

- i. Ensure delivery of obligations on the Company under the Postal Services Act 2011, including the publication of the annual Network Report and Postal Heritage Report;
- ii. Approve the adoption of the Company policies related to business operation and/or strategic matters and identified within the approved policy framework as requiring Board level oversight (some policies may be approved by Board Committees in accordance with the key policy framework);
- iii. Authorise a Conflict of Interest (Article 54 (A));
- iv. Approve overall levels of insurance for the Company, including directors' and officers' liability insurance and any arrangement for indemnity of directors (delegated to the Audit, Risk & Compliance Committee);<sup>22</sup>

<sup>17</sup> Defined as any executive who reports directly to the Group Chief Executive Officer, other than executive directors.

<sup>18</sup> The Nomination Committee may also approve the nominations for appointment, reappointment or removal of any statutory director who is an employee of the Group to an associated undertaking of the Group and the appointment, reappointment or removal of the Shareholder Representative to an associated undertaking (First Rate Exchange Services Holdings Limited).

<sup>19</sup> This incorporates the establishment of any profit-sharing, share option, bonus or any other incentive schemes for employees of any Group Company.

<sup>20</sup> Remuneration of Executive Directors requires Shareholder approval.

<sup>21</sup> This consists of advisors specifically mentioned in the Group Annual Report & Accounts including but not limited to, the Group's solicitors, actuary and financial advisors.

<sup>22</sup> The Company must consider if the Group policy is sufficient or whether additional cover is required.



Post Office Limited  
Matters Reserved to the Board

- v. Approve the adoption of and changes to Matters Reserved to the Board (including appendices<sup>23</sup>) and Board Committee Terms of Reference (on recommendation from the relevant committee for the relevant committee);
- vi. Approve the process for the annual review of Board and Board Sub-Committee Effectiveness (delegated to the Nominations Committee);
- vii. Approve the authority delegated to the Group Chief Executive (or equivalent) and the division of responsibilities between the chair, chief executive and senior independent director (on recommendation of the Nominations Committee);
- viii. Approve the Group's overall corporate governance arrangements (delegated to the Nominations Committee).

## 15. Delegation to Committees

- i. The Board may delegate authority for specified responsibilities to Committees of the Board. The Terms of Reference for these Committees will be approved by the Board. The duties of each Committee are contained in the Terms of Reference. The Committees of the Board are:
  - a) Audit, Risk & Compliance Committee
  - b) Nominations Committee
  - c) Remuneration Committee
- ii. The Board has authority to establish additional Committees of the Board from time to time.

## 16. Delegation to the Group Chief Executive Officer

- i. The Group Chief Executive Officer (Group CEO) is granted full authority for the day-to-day running of the business of the Company, including authority to make changes to the management, approve agreements (including novation, extension and/or variation of such agreements), and to accept risks, rights and obligations on behalf of the Company (including NDAs, Letters of Intent or exclusivity obligations), other than those matters reserved to the Board and Shareholder for its decision and subject to the limit of authority of up to £5,000,000 and any applicable internal policies and processes.
- ii. The Group CEO is also authorised to sub-delegate such authority as he or she sees fit, including the power to further sub-delegate, provided that any such sub-delegation shall be within the limits of authority set out above and evidenced in writing (see Spend Approval Limits Appendix).

<sup>23</sup> Including: Spend Approval Limits, Authorised Signatories, Records of Spend Approvals and Authorised Signatories, Approval of unlimited liabilities and indemnities and Delegated Authorities

Post Office Limited  
Matters Reserved to the Board

## **17. Composition and Governance**

### ***Membership***

- i.* The minimum number of directors is two (Article 37), but there is no maximum. Appointment and any change to the minimum number of directors is subject to the appropriate Shareholder approval.
- ii.* Normally, terms of office will be three years for a maximum of two terms. However, this is at the discretion of the Shareholder.
- iii.* The composition of the Board is at the discretion of the Shareholder. The current composition of the Board is:
  - a) Non-Executive Chair;
  - b) One Senior Independent Non-Executive Director;
  - c) Three Non-Executive Directors;
  - d) One Shareholder representative; and
  - e) Two Executive Directors, being the Group CEO and Group Chief Financial Officer.<sup>24</sup>

### ***Secretary***

- 18.** The Group Company Secretary, or his or her nominee, shall not be a member of the Board but shall act as Secretary to the Board and shall keep minutes and records of each meeting, as required by the Companies Act 2006.
- 19.** Minutes of each meeting will be circulated to the Chair for approval and then to all members of the Board. Minutes will be formally approved and signed at the next meeting.

### ***Quorum***

- 20.** The quorum for the transaction of business at a Board meeting shall be two directors (Article 59).

### ***Meetings***

- 21.** The Board shall meet as often as required, and not less than once every quarter. A separate Strategy session will be held at least one a year. The Board 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 (Article 64).

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<sup>24</sup> This includes any persons holding these positions in the interim.

Post Office Limited  
Matters Reserved to the Board

22. Meetings may be convened by the Secretary to the Board, at the request of the Chair, or any other director, at any time.
23. Notice of each meeting shall be given to all members of the Board and any other person required to attend, at least 3 working days before each meeting.
24. Other Group employees and/or external consultants may attend for part or the whole of any Board meeting at the invitation of the Chair.
25. Resolutions may be made in writing<sup>25</sup> if signed by all directors entitled to receive notice of the meeting (Article 63).
26. The Non-Executive Directors shall meet at least twice per year without the executive directors being present.

#### ANNUAL REVIEW AND APPROVAL

27. The Board will undertake an annual review of its performance and the content of the Matters Reserved (subject to the Articles of Association). The Board will approval any changes to these Matters Reserved pursuant to the annual review or whenever so required.

Approved by:	Date:	Version:	Effective from:
Post Office Limited Board	February 2015	1.0	February 2015
[Post Office Limited Board	24/03/2020	2.0	01/04/2020]

#### 28. Appendices

##### ***Spend Approval Limits***

The Board has delegated to the Group CEO spend approval of up to £5,000,000 and the Group CEO recommends to the Board the following standard spend approval limits subject to applicable internal policies and processes:<sup>26</sup>

Job Title	Spend Approval Limit
Group Chief Financial Officer (CFO)	£4,000,000
Group Executive Member	£2,000,000
Direct Reports to Group Executive	£250,000

The Group CEO may sub-delegate up to his spend limit of £5,000,000 and determine the conditions of that delegation. Such delegation must be provided to the Group Company Secretary in writing.

<sup>25</sup> This includes electronic circulation and signature.

<sup>26</sup> OPEX spend may be approved in accordance with these levels. CAPEX spend requires prior approval from the Project Review Board and/or Investment Committee. The spend is measured over the life of the contract or project.

Post Office Limited  
Matters Reserved to the Board

The Group CFO and Group Executive member may delegate up to their £4,000,000 and £2,000,000 spend approval limit respectively, on a permanent or *ad hoc* basis, to their direct reports or below, provided such delegation is provided to the Group Company Secretary in writing. For the avoid of doubt, direct reports to Group Executive members automatically have a £250,000 delegation, unless the Group Executive member advises the Company Secretariat otherwise.<sup>27</sup>

**Authorised Signatories & Company Seal Authority**

The following positions are approved to sign documents that will bind the Company such as, but not limited to, contracts, statements of work, change notes, order forms and terms & conditions.<sup>28</sup> Signature is subject to applicable internal policies, processes and documented exceptions:

- Any Statutory Director;
- The Group Company Secretary;
- Any member of the Group Executive; and
- Any Senior Assistant Company Secretary.

The following positions are permitted to sign employment contracts or similar HR related agreements (for the purpose as specified only) as set out below:

Job Title	Purpose
Employment Recruitment, Leavers & MI Manager	New Joiners' Contracts
Payroll Manager	Contract Changes
Agents On-boarding Team	Agents' contracts

The following positions are permitted to sign franchise agreements as part of the DMB programme:

Job Title
Head of DMB Programme
Director of Network Development

Any one of the following positions is approved to authenticate the affixing of the Company Seal pursuant to Article 78 (C):

- A Statutory Director;
- Group General Counsel;
- Group Company Secretary; or
- Senior Assistant Company Secretary.

<sup>27</sup> This does not apply to Personal, Executive Assistants or Team Supports who report directly to a Group Executive member.

<sup>28</sup> The Board authorised the Company Secretariat to keep a list of authorised signatories in its meeting on 22 January 2016 (see minute reference 69 of 2016).

Post Office Limited  
Matters Reserved to the Board

### ***Records of Spend Approvals and Signatories***

The Group Company Secretary is authorised to keep a list of individuals who hold authority to approve spend, are authorised signatories and may authenticate the Company Seal from time to time. Any changes in persons appointed the relevant positions must be notified to the Group Company Secretary in writing.

### ***Liabilities and Indemnities<sup>29</sup>***

Certain contracts may include unlimited liabilities and/or indemnities. If this is the case, the following rules shall apply:

- i. If the unlimited liability/indemnity is for one of the following "standard liabilities", no additional approval is required and approval is required under the spend approval limits;
  - a. Categories of loss that cannot be limited by law:
    - death
    - personal injury
    - fraud
    - fraudulent misrepresentation
  - b. Categories of loss which reflect industry practice:
    - breach of third party intellectual property rights (IPR);
    - breach of Confidentiality;
    - breach of Data Protection; and
    - breach of applicable law.

If the liability/indemnity is not a "standard liability" (as listed above), and is unlimited or is above the Group Chief Executive's spend approval limit, additional approval will be required from the Group Chief Financial Officer and Group General Counsel.

There are certain matters where there is a risk of loss or liability or a wider risk which should be escalated to the Board (and, in some instances, Shareholder):<sup>30</sup>

- a granting of a security in excess of £5m;<sup>31</sup>
- a new area of business which might bring the Group within the scope of oversight of a regulator to which it has not previously been subject;<sup>32</sup>
- a matter which gives rise to risk in excess of £5m in maintaining service commitment to customers in line with the Group's social purpose (for which the Group has an adverse risk statement);<sup>33</sup>

<sup>29</sup> This approach was approved by the Board on 27 March 2018.

<sup>30</sup> Please consult the matters reserved to the Shareholder consent in paragraph B above.

<sup>31</sup> See also Article 8.1 (AA) & (X)

<sup>32</sup> See also Article 8.1(Z)

<sup>33</sup> Subject to Article 8.1(X)

Tab 8 Governance report to Board (including the new Articles of Association)

Post Office Limited  
Matters Reserved to the Board

- a matter which could risk disruption to the credit facility (averse risk appetite – the Company is to ensure loan remains below £950m with maintenance of £200m headroom);<sup>34</sup> or  
a matter where there is realistic possibility of Competition and Markets Authority intervention.<sup>35</sup>

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<sup>34</sup> Refer also to the Treasury Policy and Article 8.1(AA)

<sup>35</sup> See also Article 8.1(Z)



**Post Office Limited (POL)  
("the Company")  
Delegated Authorities****Key**

Approve: Final authorisation of a decision as worded under the Articles of Association and FD.  
Approve for recommendation: Authorisation to permit the request to be considered at the next governance stage.  
Consent: Permission is granted to proceed with a decision authorised by the Company as worded under the Articles of Association and FD.  
Approve subject to Shareholder consent: The authorisation is only valid once consent has been received from the Shareholder as required under the Articles of Association and FD.

BEIS: Department of Business, Energy & Industrial Strategy

The Group/Group Companies: Post Office Limited (POL), Post Office Management Services Limited (Post Office Insurance (POI)) and Payzone Bill Payments Limited (PZBPL).

Subsidiary: A wholly owned company of Post Office Limited: Post office Insurance and Payzone Bill Payments Limited

FD: Framework Document between BEIS (Shareholder), UKGI (Shareholder Representative) & POL

Article: Refers to Articles of Association of the Company as effective from 1/4/2020. These should be consulted for further information prior to proceeding.

Decision	Action Required									
	POL Executive Committees			Group Executive	Board Committee			POL Board	Shareholder (BEIS)	Notes
	Project Review Board	Investment Committee	Risk & Compliance Committee (RCC)		Audit Risk & Compliance Committee (ARC)	Nominations Committee (NomCo)	Remuneration Committee (RemCo)			
1. Strategy & Management										
1.1 Adoption of, or material variation to, the Group Strategic Plan (every three years) (Article 8.1 (U), Article 46, FD section 4) [the adoption of a Group Strategic Plan or any material variation or amendment of a Group Strategic Plan previously adopted]	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve for recommendation to Shareholder	Approve	POL Board must develop a Group Strategic Plan (GSP) covering a period of at least three years, which must be approved by the Shareholder (FD Section 4). The GSP must be reviewed annually by the POL Board (FD section 4.6).
1.2 Adoption of, or variation to, the Group Business Plan (every 12 months) (FD section 4)	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve for recommendation to Shareholder	Approve	POL Board and Shareholder must approve individual Subsidiary Business Plans which feed into the Group Business Plan.
1.3 Substantial alteration to the nature of the business of the Company unless as specified in the Group Strategic Plan (Article 8.1 (V)); FD section 3.3 (vi)) [Save as specifically provided for in the approved Group Strategic Plan, any substantial alteration in the nature of the business carried on by any Group company]	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve subject to Shareholder consent	Consent	
1.4 Approval of the Funding Agreement with Government and monitoring of the achievement of milestones contained within the plan [Existing Matter Reserved]	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve	-	
1.5 Approval of the criteria for measurement of performance (Key Performance Indicators) and management, including annual review of such criteria [Existing Matters Reserved]	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve	-	POL Board is required to provide quarterly reports to the Shareholder on the targets and budgets set out in the GSP and the performance of the branch network (FD Section 13).
1.6 Approval of succession plans for directors of Group Companies [Existing Matters Reserved]	-	-	-	-	-	Approve	-	-	-	
2. Ownership, Capital Structure & Constitution										
2.1 The alteration or deletion of, or the ratification of any breach of, all or any part of the Articles; (Article 8.1 A (H))	-	-	-	Approve for recommendation to POL Board	-		-	Approve subject to Shareholder consent	Consent	Where an Article had been breached that should be raised through RCC/ GE and escalated to ARC.
2.2 Voluntary winding up or entry into administration of any Group Company (Article 8.1 (I)) [The voluntary winding-up or entry into administration of any member of the Group, the passing of a special resolution to the effect that any member of the Group should be wound-up by the court or put into administration, the presentation (whether solely or	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve subject to Shareholder consent	Consent	



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	POL Executive Committees			Group Executive	Board Committee			POL Board	Shareholder (BEIS)	Notes
	Project Review Board	Investment Committee	Risk & Compliance Committee (RCC)		Audit Risk & Compliance Committee (ARC)	Nominations Committee (NomCo)	Remuneration Committee (RemCo)			
jointly with any other person) of a petition for the winding -up of any member of the Group, or any proposal for any of the foregoing]										
2.3 Redemption or purchase of the Company's own shares or reduction in share capital (Article 8.1 (J)) [The redemption or purchase by any member of the Group of any share in itself or the reduction of the share capital of any member of the Group, or any uncalled or unpaid liability in respect thereof, capital redemption reserve or share premium account of any member of the Group or the passing of any resolution authorising any of the foregoing] (Article 8.1 (J))	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve subject to Shareholder consent	Consent	
2.4 Set up of a new subsidiary company or any action relating to shares in an existing Group Company or associated undertaking <sup>1</sup> (Article 8.1 (K) & (L)) [the formation of any subsidiary undertaking or the issue, allotment, purchase, cancellation or transfer of shares, or granting of any share rights, in any member of the Group / The sale, issue, allotment, purchase, cancellation or transfer of any shares by any member of the Group in any subsidiary undertaking or in FRES Limited (while an associated undertaking of a member of the Group) or in any other associated undertaking of a member of the Group]	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve subject to Shareholder consent	Consent	
2.5 The amalgamation or merger of any member of the Group with any other company or business undertaking (Article 8.1 (M));	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve subject to Shareholder consent	Consent	
2.6 The creation or granting of any encumbrance relating to the Company's business, undertaking, assets or Shares unless arising in the ordinary course of business <sup>2</sup> (Article 8.1 (N)) [The creation or granting of any encumbrance over the whole or any part of the company's business, undertaking or assets or over any Shares in the company or the entry into any agreement to do so, or the same in respect of any member of the Group (other than, in each case, the creation or grant of any lien arising in the ordinary course of business and/or any charge arising by the operation (or purported operation) of title retention clauses and in the ordinary course of business]	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve subject to Shareholder consent	Consent	

<sup>1</sup> An associated undertaking is defined an entity over which a company has significant influence but cannot exercise control (pursuant to International Accounting Standard 28) and normally demonstrated by 2050% shares held. A subsidiary undertaking is defined as (a) holds a majority of the voting rights in it, (b) or is a member of it and has the right to appoint or remove a majority of its board of directors, or (c) is a member of it and controls alone, pursuant to an agreement with other members, a majority of the voting rights in it (s.1159 Companies Act 2006).

<sup>2</sup> This is a factual analysis that must be conducted on a case-by-case basis.

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2.7 The restructure or reorganisation of the Group structure such that any Group company's shareholding in its subsidiary undertakings is altered or amended (Article 8.1 (P))	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve subject to Shareholder consent	Consent	
2.8 The actual or proposed presentation of a petition to appoint an administrator for any company in the Group (including POL) (Article 8.1 (Q)) [The presentation, or proposal for presentation, (whether solely or jointly with any other person) of a petition applying for the appointment of an administrator of any member of the Group]	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve subject to Shareholder consent	Consent	
2.9 Any action in relation to the Post Office Trade Mark which prevents the Group using the Trade Mark, including sale, assignment, charging, mortgaging, granting of licence or disposal (Article 8.1 (Z)) [(i) the sale, assignment, charging, mortgaging or outright disposal by any member of the Group of any Trade Mark in any of the Primary Territories, (ii) the granting of an exclusive licence by any member of the Group which prevents the Group from using any Trade Mark in any of the Primary Territories, (iii) the taking of any action by any member of the Group with the intention of jeopardising any Trade Mark in any of the Primary Territories, (iv) the taking of any action by any member of the Group which has the effect of causing any Trade Mark in any of the Primary Territories to cease to subsist, or (v) the taking of any decision or action by any member of the Group which has the effect of allowing rights in respect of any Trade Mark in any of the Primary Territories to lapse]	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve subject to Shareholder consent	Consent	
2.10 Change of the Company Name, trading name or Registered Office for any member of the Group.	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve	-	
3. Financial Reporting & Controls										
3.1 Declaration or payment of any dividend or other distribution outside of the Group Strategic Plan by any member of the Group (Article 8.1 (F)) [The declaration or payment of any dividend or the making of any distribution by the company other than in accordance with the Group Strategic Plan]	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve subject to Shareholder consent	Consent	Within the Group Strategic Plan, POL Board must approve the declaration of a dividend and payment of an interim dividend (Articles 68 – 69)].
3.2 Any distribution, payment or return to shareholders of the Company out of capital of the company (Article 8.1 (G))	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve subject to Shareholder consent	Consent	
3.3 Any distribution, payment or return to shareholders of the Company out of capital of the company by a Subsidiary [Subsidiary Company Articles]	-	-	-	Approve for recommendation to POL Board	-	-	-	Consent	-	Subsidiary Company will approve subject to consent of the POL Board.

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	Project Review Board	Investment Committee	Risk & Compliance Committee (RCC)		Audit Risk & Compliance Committee (ARC)	Nominations Committee (NomCo)	Remuneration Committee (RemCo)			
3.3 Change to accounting reference date, practice or policy by any member of the Group, if different from those previously adopted by the Group, unless required by law or generally accepted accounting principles (Article 8.1 (R)) [The adoption of any accounting reference date or any material variation of the accounting practices and policies to be applied in the preparation of the accounts of any member of the Group, if different from the practices or policies then adopted or applied by other members of the Group (other than any accounting practice or policy required to be adopted by law or required by generally accepted accounting principles applying in the place of incorporation of the company or the relevant member of the Group)]	-	-	Approve for recommendation on to POL ARC	-	Approve subject to Shareholder consent	-	-	Approve subject to Shareholder consent	Consent	Where changes are required by law or generally accepted accounting principles, the POL ARC approve these changes.
3.4 Approval of the Annual Report and Accounts, including any corporate governance statement and any specific reports required by law [Existing matter reserved]	-	-	-	-	Approve for recommendation to POL Board	-	-	Approve	-	The POL Board may delegate authority on an ad hoc basis to individuals to finalise or a committee to approve.
3.5 Approval of any half year financial report or trading statement for publication [Existing matter reserved]	-	-	-	-	Approve for recommendation to POL Board	-	-	Approve	-	The POL Board may delegate authority on an ad hoc basis to individuals or a committee to approve.
3.6 Approval of Group treasury and banking policies, including methods of mitigating against foreign currency exposure and any use of financial derivatives [Existing matter reserved]	-	-	Approve for recommendation on to POL ARC	-	Approve	-	-	-	-	
3.7 Approval of the appointment, reappointment or removal of the external auditor [Existing matter reserved]	-	-	-	-	Approve	-	-	-	-	
3.8 Approval of Company's risk appetite statement	-	-	Approve for recommendation on to POL ARC	-	Approve for recommendation to POL Board	-	-	Approve	-	The POL ARC will review and monitor the Group's risk management systems, operational controls and key systems.
4. Financial Commitments										
4.1 Making of a loan, granting of credit or giving of a guarantee or indemnity by the Group, apart from intra-group arrangements entered into in the ordinary course of business <sup>3</sup> (Article 8.1 (O)) [save for any intra-group arrangements entered into between wholly owned members of the Group in the ordinary course of business by any Group Company, the making of any loan (otherwise than by way of deposit with a bank or other institution the normal business of which includes the acceptance of deposits or in the ordinary course of business), the granting of any credit (other than in the normal course of business) or the giving of any guarantee or	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve subject to Shareholder consent	Consent	Refer to the Treasury Policy for authorities in relation to intra-group loans.

<sup>3</sup> This will be a factually based decision and taken on a case by case basis.

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	POL Executive Committees			Group Executive	Board Committee			POL Board	Shareholder (BEIS)	Notes
	Project Review Board	Investment Committee	Risk & Compliance Committee (RCC)		Audit Risk & Compliance Committee (ARC)	Nominations Committee (NomCo)	Remuneration Committee (RemCo)			
indemnity (in each case other than in the normal course of business) by any Group company]										
4.2 The establishment of (or approval of any agreement to establish) a new pension scheme by any member of the Group (Article 8.1 (T))	-	-	-	Approve for recommendation to POL Remuneration Committee	-	-	Approve for recommendation to POL Board	Approve subject to Shareholder consent	Consent	
4.3 Approval of the Group pension strategy and any material changes to pension arrangements for the Group, in particular the rate of contribution made [Existing matters reserved]	-	-	-	Approve for recommendation to POL Remuneration Committee	-	-	Approve for recommendation to POL Board	Approve	-	Any proposal should be reviewed to check whether Shareholder consent is required because of instances each elements of an individual's remuneration has to be approved by the Shareholder and to check that the approach taken would not run contrary to public sector pay guidance which is deemed to apply to POL.
4.4 Entry into a Relevant Transaction <sup>4</sup> whereby any Group Company's interest in an asset is lost meaning it can no longer perform the business of the Company as per the Group Strategic Plan (Article 8.1 (W)) [The entry into any Relevant Transaction under which any member of the Group, directly or indirectly, ceases to own or retain any such interest as it may have in any asset in the absence of which the Group might reasonably be considered to be unable to continue to perform the business of the Group as provided for in the Group Strategic Plan, except in circumstances under which the relevant asset remains available for exclusive use by any one or more members of the Group for the remainder of its useful economic life or until it is fully depreciated;]	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve subject to Shareholder consent	Consent	If the Company is still able to exclusively use the asset for the remainder of its useful economic life, Shareholder (POL) approval and Parent Shareholder (BEIS) consent is not required. However the Relevant Transaction must be approved by the Board.
4.5 The entry into or implementation of a Relevant Transaction <sup>5</sup> by any member of the Group involving actual or likely spend or liability in excess of £50,000,000 <sup>6</sup> (Article 8.1 (X)) [The entry into or implementation of a Relevant Transaction by any member of the Group which involves or is likely to involve (either individually or when taken together with all other related Relevant	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve subject to Shareholder consent	Consent	

<sup>4</sup> Relevant Transaction is any transaction which is not (i) in the ordinary course of business, (ii) intra-group; or (iii) approved in the Group Strategic Plan (Article 2).

<sup>5</sup> As previously defined

<sup>6</sup> See appendix to the Matters Reserved to the Board for approvals required for unlimited liabilities and indemnities. There will be instances where there is a risk of loss or liability or a wider risk, such as reputational risk, which should be escalated to the Board (and, in some instances, the Shareholder, for example where a proposal could be deemed to be "novel or contentious"). These instances may also come under the matters requiring Shareholder consent.



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	POL Executive Committees			Group Executive	Board Committee			POL Board	Shareholder (BEIS)	Notes
	Project Review Board	Investment Committee	Risk & Compliance Committee (RCC)		Audit Risk & Compliance Committee (ARC)	Nominations Committee (NomCo)	Remuneration Committee (RemCo)			
Transactions (other than any related Relevant Transaction previously approved under this article <b>Error! Reference source not found.</b> 4.5 entered into or implemented in the previous 12 months)) the incurrence of a commitment or liability, or the payment of a sum, by any member of the Group which is an amount in excess of £50,000,000]										
4.6 The entry by any member of the Group into any Relevant Transaction which is not on commercial terms and is not considered by the directors of the relevant member of the Group to be in the interests of that member of the Group (Article 8.1 (Y))	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve subject to Shareholder consent	Consent	
4.7 The borrowing of funds by any member of the Group from any source other than another member of the Group (Article 8.1 (AA)) [The incurring of (or entry into of any commitment to incur) any borrowing by any member of the Group in circumstances where the borrowing is to be provided from any source other than another member of the Group]	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve subject to Shareholder consent	Consent	See Article 8.1 (AA) (a) – (b) for the exact scope and definitions.
4.8 The entry into or implementation of a transaction (OPEX spend) by the Group involving actual or likely spend or liability <sup>7</sup> in excess of £5,000,000 (£2,000,000 for PZBPL) [Existing Matter Reserved]	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve	-	The Group CEO has delegated authority to approve OPEX spend up to £5m and may delegate below this limit. Each Subsidiary has its own spend approval limits. See applicable Matters Reserved to the Board.
4.9 Approval of Change spend under £2,000,000 for the Group <sup>8</sup> [Existing delegated authority from the Board to the Group CEO]	Approve	-	-	-	-	-	-	-	-	
4.10 Approval of Change spend over £2,000,000 but up to £5,000,000 for the Group <sup>9</sup> [Existing delegated authority from the Board to the Group CEO]	Approve for recommendation to IC	Approve	-	-	-	-	-	-	-	Change spend over £2m for PZBPL will require POL Board approval.

<sup>7</sup> Non-standard unlimited liabilities and indemnities or those capped at £2m and above may be approved by Group General Counsel and the Company's Chief Financial Officer as part of the Contract Approval Process. Standard liabilities and indemnities do not require additional approvals or Board oversight. There are certain matters where there is a risk of loss or liability or a wider risk which should be escalated to the Shareholder. These instances may also come under the matters requiring Shareholder consent. Please refer to the Matters Reserved to the Board.

<sup>8</sup> This is defined Change spend refers to the CAPEX & Exceptional budget, which is managed by the Group Change team. It does not include OPEX spend or contract approvals, for which the appropriate spend approvals must be considered. If a project's forecast spend exceeds £5m (total CAPEX, Exceptional and OPEX), POL Board approval is required.

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4.11 Approval of Change spend over £5,000,000 for the Group <sup>10</sup>	Approve for recommendation to IC	Approve for recommendation to GE	-	Approve for recommendation to POL Board	-	-	-	Approve	-	
5. Appointments & Senior Remuneration										
5.1 Approval of the recruitment and appointment process for a director of the Company including engagement terms of external search agents for appointments and formation of interview panel (FD section 7.3 (iii))	-	-	-	-	-	Approve for recommendation to the Shareholder	-	-	Approve	The interview panel makes a recommendation of appointment at the end of the recruitment process to the Shareholder. Appointment then requires approvals from POL Nominations and Remuneration Committees and Board.
5.2 Appointment, reappointment or removal from office of any director including the chief executive, interim directors and alternate directors who are not already directors of the Company (Article 8.1 (A) (i) & (ii) , (C), 40, 41, 53, FD section 7)	-	-	-	-	-	Approve for recommendation to POL Board	Approve for recommendation to POL Board	Approval subject to Shareholder consent	Consent	Shareholder to be informed not less than ten Business Days before the proposed date of appointment of a director including re-appointment (Article 38).  The Shareholder shall appoint one senior UK Government official as the representative director to the POL Board (FD section 7.3 (ii)).
5.3 Appointment, reappointment or removal of any person as Chair of the Company (Article 8.1 (A) (iii), 42 (A), FD section 7)	-	-	-	-	-	Approve for recommendation to POL Board	Approve for recommendation to POL Board	Approve for recommendation to Shareholder	Approve	The Shareholder shall appoint the Chair of the POL Board (FD section 7.3 (i)). This appointment is a public appointment and must follow the rules set out in the Governance Code on Public Appointments.
5.4 Any action taken by any the company or the Board (including any appointment, removal or re-designation) which would have the effect that the Board ceased to include directors appointed to the post of Chair, chief executive and finance director (or director s carrying out the general functions denoted by such posts) (Article 8.1 A (D))	-	-	-	-	-	Approve for recommendation to POL Board	Approve for recommendation to POL Board	Approve subject to Shareholder consent	Consent	There could be instances where for a temporary period the Board did not have one of these postholders in post where an interim role of arrangement

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										required Board and Shareholder approval.
5.5 Approval or variation of director remuneration <sup>11</sup> and/or terms and conditions of employment or engagement (Article 8.1 (E)) [the approval of or agreement to or any material variation or amendment to: (i) the remuneration (including, without limitation, salary, share options, bonuses, benefits in kind and pension rights) paid or granted to any director of the company; or (ii) the terms and conditions of employment or engagement of any of the directors of the company]	-	-	-	-	-	-	Approve subject to Shareholder consent		Consent	The Board delegates to the Remuneration Committee the approval for recommendation to the Shareholder of director remuneration but this must be within approved remuneration policies.
5.6 Appointment, reappointment, removal and remuneration <sup>12</sup> of executives reporting directly to the Group Chief Executive Officer (Group Executive), other than executive directors [Existing duty within Remuneration and Nominations Committees Terms of Reference]	-	-	-	-	-	Approve	Approve	-	-	POL will observe the Public Sector Pay and Terms (FD Appendix 5).
5.7 Approval of the Group Remuneration Policy [Existing duty with Remuneration Committee Terms of Reference]	-	-	-	-	-	-	Approve for recommendation to POL Board	Approve	-	This incorporates the establishment of any profit-sharing, share option, bonus or other incentive schemes for employees of any Group Company. The Group is required to seek consent for actions relating to shares in subsidiaries (Article 8.1 (K) & (L)) POL will observe the Public Sector Pay and Terms (FD Appendix 5). POL director remuneration is dealt with in 5.5 and 5.9 - 5.11 for subsidiaries.
5.8 Approval of the introduction of any long and/or short term incentive scheme, the associated performance criteria and any awards made under such schemes [Existing Matters Reserved]	-	-	-	-	-	-	Approve	-	-	
5.9 Approval of the recruitment and appointment process for a director (who is not an employee of a member of the Group) to Subsidiary including formation of interview panel. [Existing duty within Nominations Committee Terms of Reference]	-	-	-	-	-	Approve	-	-	-	

<sup>11</sup> Encompassing: salary, share options, bonuses (including long-term and short-term incentive plans), benefits in kind and pension rights. Exit packages outside the Group policies and procedures will also require approval.

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	POL Executive Committees			Group Executive	Board Committee			POL Board	Shareholder (BEIS)	Notes
	Project Review Board	Investment Committee	Risk & Compliance Committee (RCC)		Audit Risk & Compliance Committee (ARC)	Nominations Committee (NomCo)	Remuneration Committee (RemCo)			
5.10 Appointment and remuneration <sup>13</sup> of any person who is not an employee of a member of the Group as a director of any Group Company (unless that company is regulated by the FCA) (Article 8.1 (S) (a))	-	-	-	-	-	Approve for recommendation to POL Board	Approve for recommendation to POL Board	Approve subject to Shareholder consent	Consent	Statutory Director appointments to Post Office Insurance do not require Shareholder consent.
5.11The additional remuneration of any employee (not including any salary arrangements for such employee) of a member of the Group in their capacity as a director of a Group Company (Article 8.1 (S)(b))	-	-	-	-	-	Approve for recommendation to POL Board	Approve for recommendation to POL Board	Approve subject to Shareholder consent	Consent	Under the subsidiary articles, directors are not entitled to remuneration for their services to the Company as directors or for any other service which they undertake in their capacity as a director, unless they are a non-executive director. Directors are entitled to expenses that are reasonably and properly incurred.
5.12 Appointment, reappointment, removal and remuneration <sup>14</sup> of statutory directors of Subsidiary (where Shareholder Consent is not required, cf. 5.10 & 5.11 above) [Existing duty within Remuneration and Nominations Committees Terms of Reference]	-	-	-	-	-	Approve	Approve	-	-	
5.13 Nomination for appointment, reappointment or removal of any statutory director who is an employee of the Group to an associated undertaking of the Group and the appointment, reappointment or removal of the Shareholder Representative to an associated undertaking [Nominations Committee Terms of Reference]	-	-	-	-	-	Approve	-	-	-	This applies to First Rate Exchange Services Holdings Limited.
5.13 Appointment and removal of a Secretary (Article 66)	-	-	-	-	-	-	-	Approve	-	The appointed Secretary shall be the Group Company Secretary.
5.14 Appointment, reappointment or removal of the Group’s principal professional advisors <sup>15</sup> [Existing Matter Reserved]	-	-	-	Approve for recommendation to POL Board	-	-	-	Approve	-	
6. Governance										
6.1 Any change to the prescribed minimum number directors of the company (Article 8.1 A (B))	-	-	-	-	-	Approve for recommendation to POL Board		Approve subject to Shareholder consent	Consent	
6.2 Authorisation of Conflicts of Interest for Board Directors (Article 54)	-	-	-	-	-	-	-	Approve		The Group Conflicts of Interest Policy is reviewed and approved by the ARC annually and directors appointment letters set out the requirements for advising/ receiving approval for additional external appointments.

<sup>13</sup> As defined above.

<sup>14</sup> As defined above.

<sup>15</sup> This consists of advisors specifically mentioned in the Group Annual Report & Accounts including but not limited to, the Group's solicitors, actuary and financial advisors.

**Post Office Limited (POL)  
("the Company")  
Delegated Authorities****Key**

**Approve:** Final authorisation of a decision as worded under the Articles of Association and FD.  
**Approve for recommendation:** Authorisation to permit the request to be considered at the next governance stage.  
**Consent:** Permission is granted to proceed with a decision authorised by the Company as worded under the Articles of Association and FD.  
**Approve subject to Shareholder consent:** The authorisation is only valid once consent has been received from the Shareholder as required under the Articles of Association and FD.

**BEIS:** Department of Business, Energy & Industrial Strategy

**The Group/Group Companies:** Post Office Limited (POL), Post Office Management Services Limited (Post Office Insurance (POI)) and Payzone Bill Payments Limited (PZBPL).

**Subsidiary:** A wholly owned company of Post Office Limited: Post office Insurance and Payzone Bill Payments Limited

**FD:** Framework Document between BEIS (Shareholder), UKGI (Shareholder Representative) & POL

**Article:** Refers to Articles of Association of the Company as effective from 1/4/2020. These should be consulted for further information prior to proceeding.

Decision	Action Required									
	POL Executive Committees			Group Executive	Board Committee			POL Board	Shareholder (BEIS)	Notes
	Project Review Board	Investment Committee	Risk & Compliance Committee (RCC)		Audit Risk & Compliance Committee (ARC)	Nominations Committee (NomCo)	Remuneration Committee (RemCo)			
6.3 Approval of the overall levels of insurance for the Group, including directors’ and officers’ liability insurance and any arrangements for indemnity of directors [Existing Matters Reserved]	-	-	Approve for recommendati on to POL ARC	-	Approve			Approve		
6.4 Adoption of Company policies related to business operation and/or strategic matters and identified within the approved policy framework as requiring Board level oversight [Existing Matter Reserved]	-	-	Approve for recommendati on to POL ARC	-	Approve for recommend ation to POL Board	-	-	Approve	-	Some policies may be approved by Board Committees in accordance with the policy framework.
6.5 Adoption of and changes to Matters Reserved to the Board (including the appendices), Board Committee Terms of Reference and these Delegated Authorities [Existing Matter Reserved]	-	-	-	Approve for recommendation to POL Board or relevant committee	Approve for recommend ation to POL Board (ARC ToR)	Approve for recommendatio n to POL Board (NomCo ToR)	Approve for recommendation to POL Board (RemCo ToR)	Approve	-	Any changes are subject to the Articles of Association and Framework Document.
6.6 Approval of the delegation to the Group Chief Executive and the division of responsibilities between the chair, chief executive and the senior independent director [Addition due to Code, best practice]	-	-	-	-	-	Approve for recommendatio n to POL Board	-	Approve	-	
6.7 Process for the annual review of Board and Board Committee Effectiveness [Nominations Committee Terms of Reference]	-	-	-	-	-	Approve	-	-	-	
6.8 Approval of the Group’s overall corporate governance arrangements [Existing Matter Reserved]	-	-	-	-	-	Approve for recommendatio n to POL Board	-	Approve	-	The Board delegates to the Nominations Committee approval of a number of elements of governance and reviewing and monitoring corporate governance development and compliance but decisions on the constitutional documents, including the Articles of Association and Matters Reserved to the Board require Board approval.

**Post Office Limited**  
**("the Company")**  
**Terms of Reference of the Audit, Risk and Compliance Committee**

The Audit, Risk and Compliance Committee (the "Committee") is a Committee of the Post Office Limited Board ("the Board") from which it derives its authority and to which it reports after each meeting. Its authority is always subject to the powers and duties of the Board, as set out in the Articles of Association.

**A. PURPOSE**

1. The purpose of the Committee is to assist the Board of Directors in fulfilling its fiduciary responsibilities by:
  - i. Contributing an independent view on the accounting, financial control and financial reporting practices of the Group<sup>1</sup>;
  - ii. Taking all reasonable steps to ensure accurate and informative corporate financial reporting and disclosures which meet appropriate accounting and corporate governance standards; and
  - iii. Providing oversight of the Group's risk management systems, operational controls and key systems, including monitoring exposures to the Group Risk Appetite.

**B. DUTIES AND RESPONSIBILITIES**

**Financial Reporting**

The Committee shall:

2. **Monitor** the integrity of the financial statements of the Company, including its annual report and half yearly reports and any other formal statements relating to its financial performance, and review and report to the board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.
3. **Review** and **approve for recommendation to the Board** the Annual Report and Accounts, including but not limited to:
  - i. Reports of the External Auditor;
  - ii. any proposed changes in presentation of the financial statements or accompanying notes which the auditors may recommend; and
  - iii. the Management letter.
4. **Review** and **approve** for recommendation to the Board the half year financial report or trading statement for publication<sup>2</sup>.

<sup>1</sup> The Group is defined as Post Office Limited and its subsidiary undertakings: Post Office Management Services Limited (Post Office Insurance) and Payzone Bill Payments Limited.

<sup>2</sup> Where published.

## Post Office Limited

## Terms of Reference of the Audit, Risk and Compliance Committee

5. **Review** and **report** to the Board on significant financial reporting issues, including, but not limited to:
  - i. the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company/Group;
  - ii. the methods used to account for significant or unusual transactions where different approaches are possible;
  - iii. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the External Auditor;
  - iv. the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
  - v. all material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and to risk management; and
  - vi. an overview of the extent to which the Annual Report and Accounts are fair balanced and provide the information necessary to the Shareholder<sup>3</sup> to assess the Company's performance, business model and strategy.
6. **Report** to the Board where the Committee is not satisfied with any aspects of the proposed financial reporting by the Company;
7. **Approve** the Group Treasury and banking policies, including methods of mitigating against foreign currency exposure and any use of financial derivatives.
8. **Approve for recommendation to the Shareholder** any changes to the accounting reference date, practice or policy by any Group Company, if different from those previously adopted by the Group, unless required by law or generally accepted accounting principles.
9. **Approve** any changes to accounting policies required by law or generally accepted accounting policies.

**Internal Controls and Risk Management Systems**

The Committee shall:

10. Along with the external and internal auditors, **monitor** the adequacy and effectiveness of the Company's internal financial controls and other internal control and risk management systems.
11. **Review** recommendations for the improvement of the Company's internal controls, processes and systems.

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<sup>3</sup> The Department for Business, Energy and Industrial Strategy



## Post Office Limited

## Terms of Reference of the Audit, Risk and Compliance Committee

12. **Review** and **approve** the statements to be included in the Annual Report concerning internal controls and risk management.
13. **Review** the overall risk management framework and strategy in place for the Group including its risk appetites and tolerance.
14. **Review** the Company's overall risk position and periodically invite management to outline risk management strategy and status within their specific business units.
15. **Review** management's assessment of the degree of risk the Company prudently incurs in achieving a reasonable balance between the cost of managing risk and control systems and the benefits derived.
16. **Review** areas of specific risk as highlighted by management, including enterprise and business risk.<sup>4</sup>
17. **Monitor** the Risk and Compliance Committee activities and receive summary reports as appropriate.
18. **Review** legal, regulatory and any other matters that may have a material impact on the financial statements, related Group compliance policies, and programmes and reports prepared to manage and monitor Group compliance policies.
19. **Review** whether any remuneration policy adopted by either the Company or its subsidiaries, or the implementation of any such policy is consistent with the risk appetite particularly in relation to conduct risk.
20. **Monitor** the impact of any new legislative, regulatory, market or other developments which could materially or adversely affect the Group.
21. **Receive** reports on specific breaches and incidents and review management plans for resolution. The Committee will also **review** management plans for root cause analysis resulting from breaches and issues.
22. **Approve** the overall levels of insurance for the Group, including directors' and officers' liability insurance and any arrangements for indemnity of directors.

**Compliance, Whistleblowing and Fraud**

The Committee shall:

<sup>4</sup> This includes, but is not limited to: strategic risk, financial risk, operational risk, conduct risk (including those related to the financial services businesses operated by the Group and the Company's joint venture (First Rate Exchange Services Holdings Limited), technology and cyber security risk, risk related to the investment strategy and funding requirements of existing and new pension schemes established for the benefit of previous, current and future employees, reputational risk, regulatory risk, major change initiatives and people risk.



## Post Office Limited

## Terms of Reference of the Audit, Risk and Compliance Committee

23. **Review** with the internal auditors and the external auditors the results of any review of the compliance with the Company's codes of ethical conduct and similar policies including whistleblowing<sup>5</sup>.
24. **Review** at least annually the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting, regulatory breaches or other matters. The Committee shall **determine** that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action
25. **Review** the Group's procedures for detecting fraud and the systems and controls for prevention of bribery and any non-compliance.
26. **Review** any summary of frauds, thefts and other irregularities of any size.
27. **Review** the regular reports from the Money Laundering Officer and monitor the adequacy and effectiveness of the Group's anti-money laundering systems and controls.
28. **Review** regular reports from the Director of Compliance and monitor adequacy and effectiveness of the Group's compliance function.
29. **Review** late statutory filings and the circumstances around such lateness.

**Internal Audit**

The Committee shall:

30. **Approve** the appointment or termination of appointment of the Head of Internal Audit.
31. **Approve** the Internal Audit Charter every two years<sup>6</sup>.
32. **Review** and **approve** the annual Internal Audit Plans, including any changes to these plans, to ensure they are aligned to the key risks of the business and review reports on work carried out. The review should include methods employed by the internal auditors to assess risk and to prioritise the various audit proposals identified in the annual plan.
33. **Ensure** internal audit has unrestricted scope, the necessary resources and access to information to fulfil its mandate.

<sup>5</sup> The review includes monitoring the company's supply chain and processes/procedures for compliance with the Modern Slavery Act 2015.

<sup>6</sup> The purpose of the charter will be to grant Internal Audit unfettered access to staff, data and systems required in the course of discharging its responsibilities to the Committee. It will also ensure it has sufficient resources to fulfil its mandate and will require audits to be completed to appropriate professional standards.

## Post Office Limited

## Terms of Reference of the Audit, Risk and Compliance Committee

34. **Ensure** the Internal Auditor<sup>7</sup> has direct access to the Board Chair and to the Committee Chair, and is accountable to the Committee.
35. **Monitor** and **review** annually the effectiveness of the internal audit function in the context of the Group's overall risk management system and the work of compliance, finance and the external auditor and as part of this assessment:
  - i. Meet with the Head of Internal Audit without the presence of management
  - ii. Review the annual internal audit plan work and results
  - iii. Determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business
  - iv. Review actions taken by management to implement the recommendations of internal audit and to support the effective working of the function.
36. **Ensure** the independence of the internal auditor including an annual review of any non-audit services provided by internal audit.
37. **Determine** whether an independent, third party review of processes is appropriate.

**External Audit**

The Committee shall:

38. **Approve for recommendation** to the Board the appointment, reappointment or removal of the independent external auditors, the proposed fees (in consultation with management) and the acceptance of the scope and general extent of the engagement.
39. **Review** and **approve** the selection procedure for the appointment of the audit firm in accordance with applicable regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process.
40. If an Auditor resigns, **review** the issues leading to this and **determine** whether any action is required.
41. **Review** and **approve** the agreed annual external audit plans and approach to risk assessment and the scope and plan of their audits.
42. **Review** the findings of the audit with the external auditor. This shall include discussing any major issues which arose during the audit including (but not limited to) key accounting and audit judgement and the levels of error identified.

<sup>7</sup> References to the Internal Auditor include the Head of Internal Audit (or their representative) and the Internal Audit co-source provider.

## Post Office Limited

## Terms of Reference of the Audit, Risk and Compliance Committee

43. **Review** any representation letter(s) requested by the External Auditor before they are signed by management.
44. **Review** the management letter and management's response to the auditor's findings and recommendations.
45. **Monitor** and **review** annually the independence of the external auditors including level of fees paid, an annual review of any non-audit services provided by the external auditors and auditor's processes for maintaining independence.
46. **Approve** the Group's policy on non-audit services by the auditor.
47. **Meet** regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, **meet** the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit.
48. **Review** annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures, an assessment of the quality of the audit, handling of key judgement by the auditor and the auditor's response to questions from the Committee.
49. **Ensure** co-ordination of the external audit with the activities of the internal audit function.

**C. REPORTING RESPONSIBILITIES**

50. The Chair shall **report** formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:
  - i. the significant issues that it considered in relation to the financial statements (required under paragraph 5) and how these were addressed;
  - ii. its assessment of the effectiveness of the external audit process (required under paragraph 48), the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and
  - iii. any other issues on which the board has requested the Committee's opinion.
51. **Advise** the Board on any area it deems appropriate within its remit where action or improvement is needed.

## Post Office Limited

## Terms of Reference of the Audit, Risk and Compliance Committee

52. **Report** on its activities in the Group's annual report. The report should describe the work of the Committee, including<sup>8</sup>:

- i. the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;
- ii. an explanation of how the Committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans; and
- iii. an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor.

53. The Company's Subsidiary Companies shall provide reports to the Committee on a regular basis and as requested by the Committee.

**D. AUTHORITY**

The Committee is authorised to:

- 54. Seek any information it requires from any employee of the company in order to perform its duties.
- 55. Obtain, at the company's expense, independent legal, accounting or other professional advice on any matter if it believes it necessary to do so.
- 56. Call any employee to be questioned at a meeting of the committee as and when required.
- 57. Have the right to publish in the company's annual report, details of any issues that cannot be resolved between the committee and the board. If the board has not accepted the committee's recommendation on the External Auditor appointment, reappointment or removal, the annual report should include a statement explaining the committee's recommendation and the reasons why the board has taken a different position.
- 58. Conduct or authorise investigations into any Group matters within the Committee's cope of responsibilities.

<sup>8</sup> The Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the company is a going concern and the inputs to the board's viability statement.

## Post Office Limited

## Terms of Reference of the Audit, Risk and Compliance Committee

59. In the absence of express authority from the Board, the Committee will not, without the concurrence of both management or discharge of the independent auditors, have either the responsibility or authority for the altering of the financial statements or the accounting procedures of the Group.

**E. COMPOSITION AND GOVERNANCE*****Membership***

60. The Chair and members of the Committee will be appointed by the Board, acting on the recommendation of the Nominations Committee.
61. The Committee shall consist of at least two independent non-executive directors and only independent non-executive directors shall be eligible to be members of the Committee. The Chair shall not be a member of the Committee.
62. The Committee Chair shall be appointed by the Board. In the absence of the Committee Chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.
63. The Chair of the Company and Executive Directors may be invited to attend any meeting, or any part of any meeting, by the Committee Chair.
64. The Group Chief Financial Officer, the Group General Counsel, the Head of Risk, the Director of Compliance and the Head of Internal Audit (or those holding positions with responsibility for such roles, howsoever named) will be permanent invitees.
65. The External Auditors may attend all or part of any Committee meeting at the invitation of the Chair. As a minimum the External Auditors will attend to present their external audit plan for approval and to present their reports.

***Quorum***

66. Quorum shall be two members, of whom one will have recent and relevant financial experience.

***Committee Secretary***

67. The Company Secretary, or his or her nominee, shall act as Secretary to the Committee and shall attend all meetings to keep minutes and record actions.

## Post Office Limited

## Terms of Reference of the Audit, Risk and Compliance Committee

**Frequency**

68. The Committee shall meet as often as required but at least three times per year.

**Governance**

69. Meetings may be held in person or by telephone or other electronic means, so long as all participants can contribute to the meeting simultaneously.
70. Notice of each meeting shall be given to all those entitled to participate at least three working days before the meeting. Meetings shall be planned in accordance with key reporting and financial planning dates.
71. Meetings for the Committee will be convened by the Secretary, at the request of Chair or any of the members and the External Auditor or Head of Internal Audit, if they consider it necessary. The Secretary will be responsible for setting the venue date and time of meetings in consultation with the Chair. All papers supporting the meeting will be issued in good time, one week in advance of the meeting date.
72. The Chair will report regularly to the Board. Minutes of each Committee meeting will be circulated to all members of the Committee and, once agreed, to all members of the Board.
73. The Company will provide current and new Committee members with any training, briefings or induction required. The Company Secretary, The Group Chief Financial Officer, the Group General Counsel, the Head of Risk, the Director of Compliance, the Head of Internal Audit (or those holding positions with responsibility for such roles, howsoever named) and the External Audit Partner will keep members informed of relevant published guidance as necessary.

**F. ANNUAL REVIEW AND APPROVAL**

74. The Committee will undertake an annual review of its performance and the Terms of Reference. The outcome of these review will be recommended to the Board for approval (notwithstanding amendments approved by the Committee whenever so required).

Approved by:	Date:	Version:	Effective from:
Post Office Limited Board	23 January 2013	1.1	23 January 2013
Post Office Limited Board	26 March 2014	1.2	26 March 2014
Post Office Limited Board	22 September 2015	1.3	22 September 2015
Post Office Limited Board	24 March 2020	2.0	01 April 2020



Tab 8 Governance report to Board (including the new Articles of Association)

Post Office Limited  
Terms of Reference of the Audit, Risk and Compliance Committee

**POST OFFICE LIMITED**  
**("the Company")**  
**Terms of Reference of the Nominations Committee**

The Nominations Committee (the "Committee") is a Committee of the Company Board ("the Board") from which it derives its authority and to which it reports after each meeting. Its authority is always subject to the powers and duties of the Board, as set out in the Articles of Association.

**A. PURPOSE**

1. The purpose of the Committee is to:
  - (i) Recommend to the Board the appointment, re-appointment or removal of individuals to/ from the Board of Post Office Limited
  - (ii) Recommend to the Board the appointment of individuals to the Board committees
  - (iii) Approve the appointment of individuals to the Company subsidiary boards<sup>1</sup>
  - (iv) Approve the nomination for appointment and reappointment of individuals employed by the Company to the First Rate Exchange Services Holdings Limited ("FRESH") Board, and approve the proposal for removal of individuals employed by the Company from the FRESH Board
  - (v) Approve the appointment or removal of executives who report directly to the Group Chief Executive Officer
  - (vi) Recommend to the Board the appointment or removal of the Group Company Secretary
  - (vii) Succession planning for Board and oversight of succession planning at Group Executive and senior leadership level
  - (viii) Review and monitor the Group's overall corporate governance arrangements.
2. The consent of the Shareholder is required for Post Office Limited Board appointments and will be obtained prior to recommendations to the Board<sup>2</sup>.

**B. DUTIES AND RESPONSIBILITIES WITH REGARDS TO THE COMPANY**

***Board and Senior Executive appointments***

3. **Review** the structure, size and composition of the Board (taking account of the skills, experience, knowledge and diversity of its members), to ensure that the roles of Board Chairman, Group Chief Executive, Group Chief Financial Officer, Senior Independent Director and Non-Executive Directors are filled and to recommend changes to the Board's composition as necessary.
4. **Monitor** the independence, and process for evaluation, of Board committees and the skills and experience available within the Board, in order to

<sup>1</sup> Post Office Management Services Limited (Post Office Insurance) and Payzone Bill Payments Limited. Shareholder approval would be required for the appointment of Non-Executive Directors to non FCA regulated subsidiaries.

<sup>2</sup> The Department for Business, Energy and Industrial Strategy.

## Post Office Limited

## Terms of Reference of the Nominations Committee

recommend new appointments to committees, or the replacement of individuals on those committees, as required from time to time.

5. **Review** the results of any Board and Committee evaluation process which may relate to the time required from non-executive directors and whether non-executive directors are spending enough time to fulfil their duties, the composition of the Board, any of its Committees or the Group Executive.
6. **Review** and **approve for recommendation** to the Shareholder the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of knowledge, skills and experience required.
7. **Approve for recommendation** to the Shareholder the process for identifying and nominating candidates for appointment to the Board, including the formulation and approval of appropriate role descriptions and specifications and considering candidates from a wide range of backgrounds, on merit and against a range of objective criteria and with due regard for the benefits of diversity on the Board, including gender, and which seek to attract a wide range of talent and promote diversity within the organisation. Such deliberations should also assess whether appointees have enough time available to devote to the position.
8. **Approve for recommendation** to the Board, the appointment, re-appointment or removal from office of any statutory director including the Group Chief Executive of the Company, Chief Financial Officer, interim directors and alternate directors who are not already directors of the Company.
9. **Approve for recommendation** to the Board, the appointment, reappointment or removal of any person as **Chair** of the Company.
10. **Review** for each proposed appointment the respective merits of open advertising and the use of specialist advisers to facilitate the search for appropriately qualified candidates and **recommend for approval** the Shareholder.
11. **Approve** the engagement terms of external search agents for appointments to the POL Board once Shareholder approval has been obtained.
12. **Approve** recommendations made by the Group Chief Executive on appointments to or removal of executives who report directly to him.

***Succession planning***

13. **Ensure** that the business puts in place development and succession plans for the Board the Group Executive and senior leadership, taking into account the challenges and opportunities facing the Company and the skills and expertise needed for leadership of the Post Office in the future.

## Post Office Limited

## Terms of Reference of the Nominations Committee

14. **Review**, on behalf of the Board, succession planning for Board and senior leadership at executive level.
15. **Ensure** that any proposed appointee to the Board discloses other business interests and any potential conflict of interest, in line with the recommendations of the UK Corporate Governance Code (the Code) and the precepts of the Nolan Committee on Standards in Public Life.
16. **Engage** with the Remuneration Committee in respect of new hires, to ensure that the proposed package for new senior appointments reflects the responsibilities of the role and is designed to attract talent but is not excessive.
17. **Review** on behalf of the Board any matters relating to the continuation in office of any director or Group Executive Member and the Group Company Secretary, including the suspension or termination of any contract of employment or contract for services, subject to the provisions of the law.

**Corporate Governance**

18. **Review** the Group's Governance Framework.
19. **Review** and **approve** the processes for Board and Committee evaluations.
20. **Approve** the appointment of external facilitators for Board and Committee evaluations.
21. **Review** developments in corporate governance and **determine** whether changes should be made to the Group's governance arrangements.
22. **Ensure** that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.
23. **Note** the appointment of any director to executive or other office in accordance with the Conflicts of Interest Policy and letter of appointment for Non-Executive Directors.

**C. DUTIES AND RESPONSIBILITIES WITH REGARDS TO THE COMPANY SUBSIDIARY BOARDS*****Board and senior executive appointments***

24. **Review** the structure, size and composition of the boards (taking account of the skills, experience, knowledge and diversity of its members), to ensure that the key roles are filled and to recommend changes to the board composition as thought necessary.
25. **Approve** the process for identifying and nominating candidates for appointment to the boards, including the formulation and approval of appropriate role descriptions and specifications and considering candidates

## Post Office Limited

## Terms of Reference of the Nominations Committee

from a wide range of backgrounds, on merit and against a range of objective criteria and with due regard for the benefits of diversity on the boards, including gender, and which seek to attract a wide range of talent and promote diversity within the organisation. Such deliberations should also assess whether appointees have enough time available to devote to the position.

26. **Approve** the appointment, reappointment, removal of statutory directors from any subsidiary company (where Shareholder Consent is not required).
27. **Review** and **approve** the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the boards in the light of knowledge, skills and experience required.
31. **Review** on behalf of the Board any matters relating to the continuation in office of any board director, including the suspension or termination of any contract of employment or contract for services, subject to the provisions of the law.

**D. REPORTING RESPONSIBILITIES**

33. The Committee Chair (the Chair) shall **report** to the board after each meeting on the nature and content of its discussion, recommendations and action to be taken.
34. **Report** to the Board whatever recommendations it deems appropriate on any area within its remit where action or improvement is needed.
35. **Report on its activities** in the Company's annual report describing the work of the Committee, including:
  - i. The process used in relation to appointments, its approach to succession planning and how both support the development of a diverse pipeline.
  - ii. How board evaluation has been conducted, the nature and extent of an external facilitator's contact with the board and individual directors, the outcomes and actions taken, and how it has influenced or will influence board composition.
36. If an external search consultancy has been engaged, it should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors.

**E. AUTHORITY**

37. 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.

Post Office Limited  
Terms of Reference of the Nominations Committee

## **F. COMPOSITION AND GOVERNANCE**

### ***Membership***

38. The Committee Chair (the Chair) and members of the Committee will be appointed by the Board, acting on the recommendation of the Nominations Committee and in consultation with the Chair of the Remuneration Committee.
39. In the absence of the Chair of the Committee at any meeting, the Committee members present shall determine who shall chair the meeting.
40. It shall consist of three members, including at least two independent non-executive directors.
41. The Chairman of the Company shall chair the Committee.

### ***Quorum***

42. The quorum necessary for the transaction of business shall be two members. In the absence of the Chair at any meeting, the Committee members present shall determine who shall chair the meeting.

### ***Committee Secretary***

43. The Company Secretary, or his or her nominee, shall act as Secretary to the Committee and shall attend all meetings to keep minutes and record actions.

### ***Frequency***

44. The Committee shall meet as often as required but at least two times per year.

### ***Governance***

45. Meetings may be held in person or by telephone or other electronic means, so long as all participants can contribute to the meeting simultaneously.
46. Notice of each meeting shall be given to all those entitled to participate at least three working days before the meeting.
47. Meetings for the Committee may be convened by the Secretary in consultation with the Chair, or by any member of the Committee, at any time. The Secretary will be responsible for setting the venue date and time of meetings in conjunction with the Chair. All papers supporting the meeting will be issued in good time, one week in advance of the meeting date.
48. 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



## Post Office Limited

## Terms of Reference of the Nominations Committee

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.

49. The Committee Secretary shall provide current and new Committee members with any training, briefings or induction required under the supervision of the Chair.
50. Only members of the Committee have the right to attend Committee meetings. The Group Chief Executive and the Group Chief People Officer (or the holder of any equivalent position) and external advisors shall be informed of the date of each meeting and may be invited by the Chair to attend all or part of any meeting, as and when appropriate.
51. The Committee shall have access to sufficient executive time and resources in order to carry on its duties, including access to the Group Company Secretary and members of the Human Resources team.
52. The Committee shall have authority to appoint executive search consultants and to obtain, at the Company's expense, legal or other professional advice on matters within its terms of reference as required, up to a financial limit determined by the Board.
53. If there should be disagreement between the Committee and the full Board, the Chairman of the Board shall make time available for discussion of the issue so that the matter may be resolved.

**ANNUAL REVIEW AND APPROVAL**

54. The Committee will undertake an annual review of its performance and the Terms of Reference. The outcome of these review will be recommended to the Board for approval (notwithstanding amendments approved by the Board whenever so required).

Approved by:	Date:	Version:	Effective from:
Post Office Limited Board	25/11/2015	1.1	25/11/2015
[Post Office Limited Board	01/04/2020	2	01/04/2020]

**POST OFFICE LIMITED**  
**("the Company")**  
**Terms of Reference of the Remuneration Committee**

The Remuneration Committee (the "Committee") is a Committee of the Company Board ("the Board") from which it derives its authority and to which it reports after each meeting. Its authority is always subject to the powers and duties of the Board, as set out in the Articles of Association.

**A. PURPOSE**

1. The purpose of the Committee is to:
  - i. **Ensure** that appropriate group remuneration strategies are in place for (the Company) and its subsidiaries designed to attract, retain and motivate the executive management and workforce required to run the Company successfully<sup>1</sup> without paying more than is necessary and linking incentives to the Company's vision, mission and values.
  - ii. **Approve for recommendation** to the Shareholder:
    - the remuneration and terms and conditions of employment and variation of these for Executive Directors
    - the fees for Non-Executive Directors for the Company, including the Chair.
  - iii. **Approve** the remuneration packages of individuals who report directly to the Group Chief Executive Officer.
  - iv. **Approve** the remuneration packages of Executive Directors/ Managing Directors and fees for Non-Executive Directors of its subsidiaries.
  - v. **Approve for recommendation** to the Shareholder<sup>2</sup>, the criteria for, and outturn of performance related pay arrangements for Executive Directors and the criteria for executives who report directly to the Group Chief Executive Officer (STIP).
  - vi. **Approve for recommendation** to the Board<sup>3</sup>, the establishment of (or approval of any agreement to establish) a new pension scheme by any member of the Group.
  - vii. Have **oversight** of and **approve for recommendation** to the Board any material changes to pension arrangements for Company employees, in particular affecting the rate of contributions required to be made.
  - viii. Have **oversight** of the Group remuneration and related policies for the wider organisation.

<sup>1</sup> In doing so, regard will be paid to the views of the Shareholder and other stakeholders; all relevant legal, regulatory and corporate governance requirements; the risk appetite of the Company and alignment to its long-term strategic goals, structuring of a significant proportion of remuneration to link rewards to corporate and individual performance and designed to promote the long-term success of the Company.

<sup>2</sup> The Department for Business, Energy and Industrial Strategy.

<sup>3</sup> The Board must then seek the approval of the Shareholder.

Post Office Limited

Terms of Reference of the Remuneration Committee

- ix. Have **oversight** of Group workforce engagement strategies and outputs.

## **B. DUTIES AND RESPONSIBILITIES**

### ***Remuneration Policy for Post Office Limited: Executive***

- 2. i. **Approve for recommendation** to the Board the remuneration policy for the Group Chief Executive Officer, executive directors and those executives who report directly to the Group Chief Executive Officer, taking into account the remuneration policy set for other employees and linking incentives to the Company's vision, mission and values.
- ii. **Review** the group remuneration policy annually and recommend any changes to the Board for approval.

### ***Remuneration Package: Executive Directors***

- 3. **Approve for recommendation** to the Shareholder the remuneration package for Executive Director appointments proposed by the Nominations Committee. This may include, but shall not be restricted to:
  - i. Base salary
  - ii. Short term incentive (annual bonus)
  - iii. Long Term Incentive Plan
  - iv. Pension Provision
  - v. Benefits such as car or car allowance, private health, holidays
  - vi. Contractual terms such as notice periods.

The recommendations shall align with the group remuneration policy approved by the Board.

### ***Remuneration Package: Direct reports to the Group Chief Executive Officer***

- 4. **Approve** the remuneration package for direct reports to the Group Chief Executive. This may include, but shall not be restricted to:
  - i. Base salary
  - ii. Short term incentive (annual bonus)
  - iii. Long Term Incentive Plan
  - iv. Pension Provision
  - v. Benefits such as car or car allowance, private health, holidays
  - vi. Contractual terms such as notice periods.

The recommendations shall align with the group remuneration policy approved by the Board.

- 5. **Review** the contractual terms applicable to executive directors such that payments adhere to the group remuneration policy approved by the Board.
- 6. **Review** each element of the remuneration package and total remuneration for new hires and any internal promotions and appointments which are proposed to carry a salary in excess of the lowest salary of any executive who reports directly to the Group Chief Executive Officer.

## Post Office Limited

## Terms of Reference of the Remuneration Committee

7. **Review** annually the overall total remuneration of the Senior Group (defined as the Group Chief Executive Officer, executive directors and those executives who report directly to the Group Chief Executive Officer) compared both with external market comparators and with the remuneration of other employees in the Group.

**Long Term Incentive Plan (LTIP)**

8. i. **Approve** the implementation of, or changes to performance related incentive schemes for the Executive Directors<sup>4</sup>, executives who report directly to the Group Chief Executive Officer and senior managers eligible to be invited to participate in the Post Office (LTIP).
- ii. **Review** annually the performance related incentive schemes for the executive directors, executives who report directly to the Group Chief Executive Officer and senior managers eligible to be invited to participate in the Post Office Long Term Incentive Plan (LTIP).

**Short Term Incentive Plan (STIP)**

9. i. **Approve** the criteria for, and the outturn of, performance related pay arrangements (STIP) for Executive Directors<sup>5</sup> and the executives who report directly to the Group Chief Executive Officer
- ii. **Review** annually the criteria for, and outturn of, performance related pay arrangements (STIP) for Executive Directors<sup>6</sup> and executives who report directly to the Group Chief Executive.
10. **Receive** information on the total outturn of performance related pay arrangements across the business.
11. **Approve for recommendation** to the Board, the establishment of (or approval of any agreement to establish) a new pension scheme by any member of the Group.
12. Have **oversight** of and **approve for recommendation** to the Board any material changes to pension arrangements for Company employees, in particular affecting the rate of contributions required to be made.
13. **Approve for recommendation** to the Shareholder of any exit package that would be in excess of the contractual obligations for the Group Chief Executive and Chief Financial Officer.
14. **Approve** the exit package for any individual with a salary above the lowest salary of those executives who report directly to the Group Chief Executive<sup>7</sup>, where the exit package would be in excess of contractual obligations.

<sup>4</sup> Executive Director LTIP arrangements must be approved by the Shareholder.

<sup>5</sup> Executive Director STIP arrangements must be approved by the Shareholder.

<sup>6</sup> Executive Director STIP arrangement must be approved by the Shareholder.

<sup>7</sup> For approval by the Shareholder in the case of the Chief Financial Officer.

Post Office Limited

Terms of Reference of the Remuneration Committee

***Remuneration Policy for Post Office Limited: Non-Executive Directors***

15. **Approve for recommendation** to the Shareholder the fees for Non-Executive Directors of the Company to the Board, including the Chair.

***Remuneration for Post Office Subsidiary Boards<sup>8</sup>: Executive***

16. **Approve** the remuneration package for statutory executive director appointments to the Company subsidiary boards <sup>9</sup>. These elements will form the remuneration package and exit package for an individual in the above group, which may include, but shall not be restricted to:
- i. Base salary
  - ii. Short term incentive (annual bonus)
  - iii. Long Term Incentive Plan
  - iv. Pension Provision
  - v. Benefits such as car or car allowance, private health, holidays
  - vi. Contractual terms such as notice periods.

The recommendations shall align with the Group Remuneration Policy.

17. **Review** the contractual terms applicable to executive directors of the Post Office subsidiaries such that they adhere to the group remuneration policy.
18. **Review** annually the overall total remuneration of the Senior Group (defined as any members of the subsidiary board) compared both with external market comparators and with the remuneration of other employees in the Group.

***Remuneration Policy for Subsidiary Boards: Non-Executive Directors<sup>10</sup>***

19. i. **Approve** the remuneration framework within which the fees for each Non-Executive Director of a Subsidiary Board may be paid where an appointment is recommended by the Nominations Committee.
- ii. **Review** annually the remuneration framework for Non-Executive fees for the subsidiary boards.

**C. ENGAGEMENT**

20. To have **oversight** of workforce engagement measures, such as engagement surveys, and outputs from these.
21. To **receive feedback** from the Senior Independent Director on employee views.

<sup>8</sup> Post Office Management Services Limited (Post Office Insurance) and Payzone Bills Payments Limited.

<sup>9</sup> Excluding subsidiary board appointments which are in addition to an executive's primary role and where no additional remuneration applies.

<sup>10</sup> Section 7.3 of the Framework document. Non-Executive Directors may be appointed for Post Office Management Services Limited, trading as Post Office Insurance.



Post Office Limited  
Terms of Reference of the Remuneration Committee

#### **D. REPORTING RESPONSIBILITIES**

- 22. **Report** to the Board after each meeting on the nature and content of its discussion, recommendations and action to be taken.
- 23. **Report** on its activities in the Company's annual report and should describe the work of the Committee.
- 24. **Identify** in the annual report any consultants appointed as remuneration consultants, alongside a statement about any other connection it has with the Company or individual directors.

#### **E. AUTHORITY**

- 25. 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.
- 26. The Committee shall be authorised to seek any information it requires from any employee of the Company in order to perform its duties.

#### **F. COMPOSITION AND GOVERNANCE**

##### ***Membership***

- 27. The Committee Chair (the Chair)<sup>11</sup> and members of the Committee will be appointed by the Board, acting on the recommendation of the Nominations Committee and in consultation with the Chair of the Remuneration Committee.
- 28. In the absence of the Chair of the Committee at any meeting, the Committee members present shall determine who shall chair the Committee.
- 29. It shall consist of at least two independent non-executive directors. If considered independent at the time of appointment, the Chairman of the Company may be a member of the Committee, but shall not chair it.
- 30. Only Non-Executive directors shall be eligible to be members of the Committee, such that no individual shall be involved in determining their own remuneration.

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<sup>11</sup> The UK Corporate Governance Code (16/07/2018), stipulates that Remuneration Committee Chairs should have at least 12 months' experience on a remuneration committee prior to appointment.

## Post Office Limited

## Terms of Reference of the Remuneration Committee

**Quorum**

31. Quorum shall be two members. In the absence of the Chair at any meeting, the Committee members present shall determine who shall chair the meeting.

**Committee Secretary**

32. The Group Company Secretary, or his or her nominee, shall act as Secretary to the Committee and shall attend all meetings to keep minutes and record actions.

**Frequency**

33. The Committee shall meet as often as required but at least three times per year.

**Governance**

34. Meetings may be held in person or by telephone or other electronic means, so long as all participants can contribute to the meeting simultaneously.
35. Notice of each meeting shall be given to all those entitled to participate at least three working days before the meeting.
36. Meetings for the Committee may be convened by the Secretary in consultation with the Chair, or by any member of the Committee, at any time. The Secretary will be responsible for setting the venue date and time of meetings in conjunction with the Chair. All papers supporting the meeting will be issued in good time, one week in advance of the meeting date.
37. The Chair will report regularly to the Board. Minutes of each Committee 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.
38. The Secretary shall provide current and new Committee members with any training, briefings or induction required under the supervision of the Chair.
39. Only members of the Committee have the right to attend Committee meetings. The Group Chief Executive and the Group Chief People Officer (or the holder of any equivalent position) shall be informed of the date of each meeting and may be invited by the Chair to attend all or part of any meeting, as and when appropriate.
40. 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 Human Resources team.
41. The Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting terms of reference of remuneration consultants and have authority to appoint remuneration consultants and to obtain, at the Company's expense, legal or other

**Post Office Limited****Terms of Reference of the Remuneration Committee**

professional advice on matters within its terms of reference as required, up to a financial limit determined by the Board.

42. If there should be disagreement between the Remuneration Committee and the full Board, the Chairman of the Board shall make time available for discussion of the issue so that the matter may be resolved. Where any such disagreement cannot be resolved, the Remuneration Committee shall report the issue as part of any annual report on its activities required by the Shareholder.

**G. ANNUAL REVIEW AND APPROVAL**

43. The Committee will undertake an annual review of its performance and the Terms of Reference. The outcome of these review will be recommended to the Board for approval (notwithstanding amendments approved by the Committee whenever so required).

<b>Approved by:</b>	<b>Date:</b>	<b>Version:</b>	<b>Effective from:</b>
Post Office Limited Board	25/03/2015	1.1	25/03/2015
Post Office Limited Board	25/11/2015	1.2	25/11/2015
Post Office Limited Board	30/10/2018	1.3	30/10/2018
Post Office Limited Board	20/07/2019	1.4	30/07/2019
[ Post Office Limited Board	24/03/2020	1.5	25/03/2020]

Item	Obligation	Accountability (A) / Responsibility (R)
<b>Overall Aims</b> <i>Section 2</i>	<ol style="list-style-type: none"> <li>1. Maintain a minimum of 11,500 Post Offices during Funding Agreement. (Section 2.2 (i))</li> <li>2. Meet minimum access requirements of Entrustment Letter. (Section 2.2 (ii))</li> <li>3. Provide that Post Offices make available services of general economic interest (SGEI). (section 2.2 (iii))</li> <li>4. Operate under sound commercial/financial principles in accordance with applicable laws. Seek to deploy capital, brand and products as a responsible commercial operator, and manage risk to deliver positive financial returns, notwithstanding network requirements. (Section 2.4)</li> </ol>	<b>A:</b> CEO and CFO <b>R:</b> 1-3: Group Retail and Franchise Network Director; and Head of Network. 4: all of GE
<b>The Special Share</b> <i>Section 3.3</i>	<p>Prior written consent of Shareholder required for following decisions including but not limited to:</p> <ol style="list-style-type: none"> <li>1. Varying POL's Articles.</li> <li>2. Voluntary winding up of the company or member of the group.</li> <li>3. Issuing or allotment of shares or granting of share rights in the company.</li> <li>4. Appointment or removal from office of any director or the CEO.</li> <li>5. The adoption or amendment of a Strategic Plan.</li> <li>6. Any unplanned substantial alteration in nature of the business.</li> <li>7. Sale of material assets in the absence of which POL would not be able to perform its business as provided for in the Strategic Plan.</li> <li>8. The entry into or implementation of a transaction involving the commitment or liability or the payment of a sum in excess of £50,000,000.</li> <li>9. The entry into any transaction which is not on commercial terms and is not considered by the directors to be in the interests of the Company.</li> <li>10. Alterations to trademark rights.</li> <li>11. Any material variation to the remuneration or terms and conditions of employment of any of the directors appointed or approved by the Shareholder.</li> <li>12. Incurring of any borrowing exceeding pre-set limits and subject to other restrictions as agreed with HM Treasury; and</li> <li>13. The appointment or removal from office of the Chair.</li> </ol>	<b>A:</b> CEO and CFO <b>R:</b> CoSec will ensure the appropriate delegated authorities are in place and governance requirements are adhered to.
<b>Group Strategic Plan (GSP)</b> <i>(forms part of Group Plans)</i> <i>Section 4</i>	<ol style="list-style-type: none"> <li>1. Develop a GSP covering a period of at least 3 years. (Sections 4.1, 4.4)</li> <li>2. Ensure a GSP is in place at any time covering a period of 3 years. (Sections 4.1, 4.4)</li> <li>3. Agree a timetable with Shareholder to provide a draft and final version of next GSP at least 12 months ahead of expiration of current GSP. (Section 4.4)</li> <li>4. Seek final approval of GSP from the Shareholder subsequent to POL Board approval.</li> <li>5. Review GSP annually and update if required. Proposed changes/variations are subject to discussion and approval of the Shareholder. (Section 4.6)</li> <li>6. Inform and consult Shareholder of any contemplated changes of Group Plans. All changes subject to Shareholder approval. (Section 4.7)</li> </ol>	<b>A:</b> Group Chief Strategy and Transformation Officer <b>R:</b> This will require input from all areas of the business, (including POI and PZBPL).
<b>Group Business Plan (GBP)</b> <i>(forms part of Group Plans)</i> <i>Section 4</i>	<ol style="list-style-type: none"> <li>7. Develop a GBP for next the financial year on an annual basis covering a period of twelve months. (Section 4.2)</li> <li>8. By 31 December, the Shareholder will agree with POL a timetable for a draft and final version of the GBP for the next financial year. (Section 4.2)</li> <li>9. Agree with the Shareholder any issues and priorities that should be addressed in GBP (Section 4.2).</li> </ol>	<b>A:</b> CEO and CFO <b>R:</b> Head of Financial Performance and Analysis (who currently produces the 5 yr plan)
<b>Accounting Officer responsibilities</b> (POL AO is currently CEO) <i>Section 6.2;</i>	<ol style="list-style-type: none"> <li>1. CEO as AO to observe principles of HM Treasury in Managing Public Money (MPM) (see Appendix 1 obligations below).</li> <li>2. Personally responsible for safeguarding all funds, ensure propriety, regularity, value for money and feasibility in handling funds, and day to day management of POL.</li> <li>3. Attend Committee of Public Accounts meetings when invited.</li> </ol> <p><b>Appendix 1: governance</b></p>	<b>A:</b> CEO <b>R:</b> GE and wider POL Business

<i>Appendix 1</i>	<ul style="list-style-type: none"> <li>• have a governance structure which transmits, delegates, implements and enforces decisions</li> <li>• have trustworthy internal controls to safeguard, channel and record resources as intended</li> <li>• work cooperatively with partners in the public interest</li> <li>• operate with propriety and regularity in all its transactions</li> <li>• treat its customers and business counterparties fairly, honestly and with integrity</li> <li>• offer appropriate redress for failure to meet agreed customer standards</li> <li>• give timely, transparent and realistic accounts of its business and decisions, underpinning public confidence;</li> </ul> <p><b>decision-making</b></p> <ul style="list-style-type: none"> <li>• support its ministers with clear, well-reasoned, timely and impartial advice</li> <li>• make all its decisions in line with the strategy, aims and objectives of the organisation set by ministers and/or in legislation</li> <li>• take a balanced view of the organisation's approach to managing opportunity and risk</li> <li>• impose no more than proportionate and defensible burdens on business;</li> </ul> <p><b>financial management</b></p> <ul style="list-style-type: none"> <li>• use its resources efficiently, economically and effectively, avoiding waste and extravagance</li> <li>• plan to use its resources on an affordable and sustainable path, within agreed limits</li> <li>• carry out procurement and project appraisal objectively and fairly, using cost benefit analysis and generally seeking good value for the Exchequer as a whole</li> <li>• use management information systems to gain assurance about value for money and the quality of delivery and so make timely adjustments</li> <li>• avoid over defining detail and imposing undue compliance costs, either internally or on its customers and stakeholders</li> <li>• have practical documented arrangements for controlling or working in partnership with other organisations, as appropriate</li> <li>• use internal and external audit to improve its internal controls and performance.</li> </ul>	
<b>Shareholder Policy Sponsor (the Policy Sponsor)</b> <i>Section 6.4</i>	Provide information to Shareholder Policy Sponsor where required to fulfil their oversight function from policy perspective.	<b>A:</b> Group Corporate Affairs and Communications Director <b>R:</b> Government Affairs and Policy Director
<b>Shareholder's Representative</b> <i>Section 6.5</i>	Provide information to UKGI where required to fulfil their function as Shareholder representative.	<b>A:</b> Group Corporate Affairs and Communications Director <b>R:</b> Government Affairs and Policy Director
<b>Shareholder Meetings</b> <i>Section 6.6</i>	CEO and CFO to attend shareholder meetings.	<b>A:</b> Shareholder, <b>CEO and CFO</b> (in terms of attendance) <b>R:</b> Government Affairs and Policy Director (in terms of briefings).
<b>POL Board</b> <i>Section 6.7</i>	<ol style="list-style-type: none"> <li>1. To exercise control over day to day operations of POL.</li> <li>2. Accountable to Shareholder.</li> <li>3. Inform Shareholder of any significant changes that impact strategic direction or the attainability of targets. Determine rectification steps.</li> <li>4. Ensure statutory/administrative requirements for use of public funds are complied with.</li> </ol>	<b>A:</b> The POL Board <b>R:</b> GE and wider POL Business
<b>Individual Board members' responsibilities</b>	<ol style="list-style-type: none"> <li>1. Abide by statutory and common law duties.</li> <li>2. Not to misuse information gained in the course of public service for personal gain/political profit, nor seek to use the opportunity of public service to promote private interests or those of connected persons or organisations.</li> <li>3. Shareholder Representative NED to recuse him/herself from relevant Board decision where there is potential for or perceived conflict of interest.</li> </ol>	<b>A:</b> Each member of the POL Board



<i>Section 6.8</i>		
<b>Chair's specific responsibilities</b> <i>Section 6.9</i>	<ol style="list-style-type: none"> <li>1. Ensure that policies and actions support POL's overall aims and Shareholder's wider strategic policy.</li> <li>2. Ensure POL Board acts with probity and that corporate governance structures and controls are in place in line with governance codes and guidance.</li> </ol>	<b>A:</b> The Chairman <b>R:</b> GE and wider POL Business
<b>Chair's specific responsibilities (additional)</b> <i>Section 6.10</i>	<ol style="list-style-type: none"> <li>1. Formulate POL Board strategy.</li> <li>2. Promote efficient and effective use of staff and other resources.</li> <li>3. Ensure work of POL Board and its members are reviewed and working effectively.</li> <li>4. Ensure POL Board has appropriate balance of skills to direct business.</li> <li>5. Ensure directors are fully briefed on terms of appointment, duties, rights and responsibilities.</li> <li>6. Assess performance of individual members when considering re-appointment.</li> </ol>	<b>A:</b> The Chairman <b>R:</b> GE and wider POL Business
<b>Board Composition, appointments, remuneration and review</b> <i>Section 7</i>	<ol style="list-style-type: none"> <li>1. POL Board to consist of: Non-Executive Chair; Group CEO; CFO; a number of NEDs with one dedicated as Senior Independent Director (SID); and a Shareholder NED. (<i>Section 7.1</i>)</li> <li>2. The three sub-committees, Audit, Risk and Compliance (ARC), Nominations Committee (NomCo) and Remuneration Committee (RemCo), are to be chaired by a NED. (<i>Section 7.1</i>)</li> <li>3. On the advice of NomCo, all POL Board appointments (apart from the Chair and Shareholder NED) are subject to Shareholder approval. A request for approval must contain justification for the appointment. Written consent of the Shareholder is required. (<i>Section 7.3</i>)</li> <li>4. Before the recruitment process begins, Shareholder to be consulted on overall recruitment process, including proposed terms, and conditions of appointment. This also applies to re-appointment of directors and appointment of interim directors. (<i>Section 7.3</i>)</li> <li>5. The employment contract for each POL Board member must contain a Power of Attorney enabling POL to execute a deed of resignation upon termination of employment. (<i>Section 7.4</i>)</li> <li>6. RemCo to recommend to POL Board the remuneration policy and changes to individual elements of remuneration packages of POL Board members. Remuneration will require Shareholder approval. (<i>Section 7.6</i>)</li> <li>7. Remuneration of POL Board member that exceeds thresholds of HM Treasury's Guidance for Approval of Senior Pay requires additional approval by Chief Secretary to the Treasury. (<i>Section 7.6</i>)</li> <li>8. Chair to ensure performance of POL Board, Committees and POL Board members is evaluated annually. (<i>Section 7.7</i>)</li> <li>9. SID to conduct annual appraisal of Chair and Effectiveness Review; report findings to Shareholder typically via UKGI. (<i>Section 7.7</i>)</li> <li>10. No Group Company other than POL is to have non-executive directors appointed to its Board. <b><i>This shall not apply to any Group Company subject to FCA regulation.</i></b> (<i>Section 7.8ii</i>)</li> </ol>	<b>A:</b> The POL Board and Shareholder <b>R:</b> Remco, NomCo and CoSec will ensure the appropriate delegated authorities are in place and governance requirements are adhered to.
<b>Essential Publications</b> <i>Section 8</i>	<ol style="list-style-type: none"> <li>1. Publish ARA and lay before Parliament annually. (<i>Section 8.1</i>)</li> <li>2. Provide Network Report to Shareholder annually and lay before Parliament. (<i>Section 8.2</i>)</li> </ol>	<ol style="list-style-type: none"> <li>1. <b>A:</b> CEO and CFO <b>R:</b> The Financial Controller currently co-ordinates this exercise and holds the pen, with input from the wider business. The Government Affairs and Policy Director team lay before parliament.</li> <li>2. <b>A:</b> CEO and CFO <b>R:</b> The Director or Network Development currently co-ordinates this exercise and holds the pen, with input from the wider business. The Government Affairs and Policy Director team lay before parliament.</li> </ol>



<p><b>Observance corporate governance guidelines</b></p> <p>Section 9 &amp; Appendix 2</p>	<ol style="list-style-type: none"> <li>1. Observe Public Sector Pay and Terms (<i>Section 9.3</i>)</li> <li>2. Seek to comply with FRC UK Corporate Governance Code (the Code). If POL does not intend to observe the Code, to notify UKGI in advance. (<i>Section 9.4</i>)</li> </ol> <p><b>Appendix 2</b> POL shall have regard to the principles set out in relevant sections of the following guidance documents:</p> <p><b>Corporate Governance</b></p> <ol style="list-style-type: none"> <li>3. <i>Corporate Governance Code for Central Government Departments (April 2017)</i> <a href="https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017">https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017</a></li> <li>4. <i>Guidance note that supports the Corporate Governance Code (April 2017)</i> <a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/609668/PU2076_corporate_governance_guidance.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/609668/PU2076_corporate_governance_guidance.pdf</a></li> <li>5. <i>Code of Conduct for Board Members of Public Bodies (June 2019)</i> <a href="https://www.gov.uk/government/publications/Board-members-of-public-bodies-code-of-conduct">https://www.gov.uk/government/publications/Board-members-of-public-bodies-code-of-conduct</a></li> <li>6. <i>Management of Risk: Principles and Concepts (July 2019)</i> <a href="https://www.gov.uk/government/publications/orange-book">https://www.gov.uk/government/publications/orange-book</a></li> </ol> <p><b>Financial Management</b></p> <ol style="list-style-type: none"> <li>7. <i>Managing Public Money (MPM) (March 2018)</i> <a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/742189/Managing_Public_Money_MPM_with_annexes_2018.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/742189/Managing_Public_Money_MPM_with_annexes_2018.pdf</a></li> <li>8. <i>HM Treasury and NAO Guidance on Tackling Fraud (2013)</i> <a href="https://www.nao.org.uk/wp-content/uploads/2013/02/Tackling_External_Fraud.pdf">https://www.nao.org.uk/wp-content/uploads/2013/02/Tackling_External_Fraud.pdf</a></li> <li>9. <i>HM Treasury Consolidated Budget Guidance (particularly Chapter 11) (March 2019)</i> <a href="https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2019-to-2020">https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2019-to-2020</a></li> </ol> <p><b>Senior Appointments and Remuneration</b></p> <ol style="list-style-type: none"> <li>10. <i>Governance Code on Public Appointments (December 2016)</i> <a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/578498/governance_code_on_public_appointments_16_12_2016.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/578498/governance_code_on_public_appointments_16_12_2016.pdf</a></li> <li>11. <i>HM Treasury Guidance for approval of Senior Pay (January 2018)</i> <a href="https://www.gov.uk/government/publications/senior-civil-service-pay-and-reward">https://www.gov.uk/government/publications/senior-civil-service-pay-and-reward</a></li> </ol> <p><b>Other</b></p> <ol style="list-style-type: none"> <li>12. <i>Whistleblowing Guidance and Code of Practice (March 2015)</i> <a href="https://www.gov.uk/government/publications/whistleblowing-guidance-and-code-of-practice-for-employers">https://www.gov.uk/government/publications/whistleblowing-guidance-and-code-of-practice-for-employers</a></li> </ol>	<ol style="list-style-type: none"> <li>1. Group Chief People Office</li> <li>2. CoSec Team</li> <li>3. CoSec Team</li> <li>4. CoSec Team</li> <li>5. CoSec Team</li> <li>6. Head of Risk</li> <li>7. Head of Treasury, Tax and Insurance</li> <li>8. MLRO</li> <li>9. Head of Financial Performance and Analysis</li> <li>10. As per 7.3 of the FD, only the appointment of the Chairman is a public appointment and thus caught by this guidance. However, it is our understanding the expectation is that this guidance will also be followed for the CEO. Accountability sits with the SoS with the Group Chief People Officer being the point of contact within POL.</li> <li>11. As per 7.3 of the FD, only the appointment of the Chairman is a public appointment and thus caught by this guidance. However, it is our understanding the expectation is that this guidance will also be followed for the CEO. Accountability sits with RemCo and responsibility which sits with the Group Chief People Officer.</li> <li>12. MLRO</li> </ol>
<p><b>Financial responsibilities and funding arrangements</b></p> <p>Section 10</p>	<ol style="list-style-type: none"> <li>1. Not to borrow externally unless agreed by Shareholder. (<i>Section 10.1</i>)</li> <li>2. Borrowing from the Shareholder will be subject to appropriate documentation to be agreed between POL/Shareholder. (<i>Section 10.1</i>)</li> <li>3. As part of the Funding Agreement between Shareholder/POL, POL Board is required to meet specific requirements in terms of preparing and reporting against the strategic plan covering the relevant funding term. (<i>Section 10.2</i>)</li> <li>4. To adopt a dividend policy once commercially sustainable. (<i>Section 10.4</i>)</li> </ol>	<p><b>A:</b> CEO and CFO</p> <p><b>R:</b> CoSec will ensure the appropriate delegated authorities are in place and governance requirements are adhered to. Head of Treasury, Tax and Insurance</p>

<b>POL's delegated authority</b>  <i>Section 11</i>	1. Any undertaking that incurs expenditure in excess of £50,000,000 requires prior written consent of Shareholder. <i>(Section 11.1)</i> 2. To put in place appropriate policies of financial delegation to Group Companies. Group Companies to seek to comply with these policies. <i>(Section 11.2)</i>	<b>A:</b> CEO and CFO <b>R:</b> CoSec will ensure the appropriate delegated authorities are in place and governance requirements are adhered to.
<b>Reporting performance, information exchange and confidentiality</b>  <i>Section 12</i>	1. Share information on key strategic or policy issues with Shareholder. <i>(Section 12.1)</i> 2. Any final decision on "Relevant Issues" will require written notification to Shareholder not less than 10 business days before any final decision is made. Relevant issues include: <ul style="list-style-type: none"> <li>Issues not set out in an approved GBP.</li> <li>An issue that may have material adverse effect upon the business or financial prospects of the Group or Group Company.</li> <li>Regulatory matters, such as any Group Company being referred for regulatory investigation by relevant regulatory authority. <i>(Sections 12.2, 12.3)</i></li> </ul>	1. <b>A:</b> Group Corporate Affairs and Communications Director <b>R:</b> Government Affairs and Policy Director 2. <b>A:</b> The POL Board <b>R:</b> CoSec will ensure the appropriate delegated authorities are in place and governance requirements are adhered to.
<b>Reporting performance to the Shareholder</b>  <i>Section 13</i>	1. Provide quarterly report via UKGI on: <ul style="list-style-type: none"> <li>(a) Summary of performance of previous quarter</li> <li>(b) Information on expected draw-down for remaining duration of strategic plan</li> <li>(c) Update on delivery against planned investments. Investment plans should include look ahead over the next three financial years. <i>(Section 13.1)</i></li> </ul> 2. Provide quarterly update to UKGI on performance of branch network against overall aims set out in Entrustment Letter. <i>(Section 13.2)</i> 3. Inform UKGI before the quarterly update is provided of whether POL has failed to meet its objectives set out in section 2.2 of framework document. <i>(Section 13.2)</i> 4. Provide quarterly update on any active litigation, threatened litigation or reasonably anticipated litigation. <i>(Section 13.4)</i>	<b>A:</b> CFO <b>R:</b> Head of Financial Performance and Analysis (1, 4) , Director of Network Development (2), Head of Legal, Disputes Resolution & Brand (4)





# LCG Governance Framework Workshop

Company Secretariat, March 2020



# Agenda

1. Introduction
2. Our Structures
3. Company Constitutional Documents
4. Company & Group Matters Reserved
5. Matters Reserved to the Board, Board Committee Terms of Reference and Executive Committee Terms of References
6. Examples of Key Approval Paths
7. What hasn't changed?
8. The Framework Document
9. What does this mean for LCG?

# Introduction

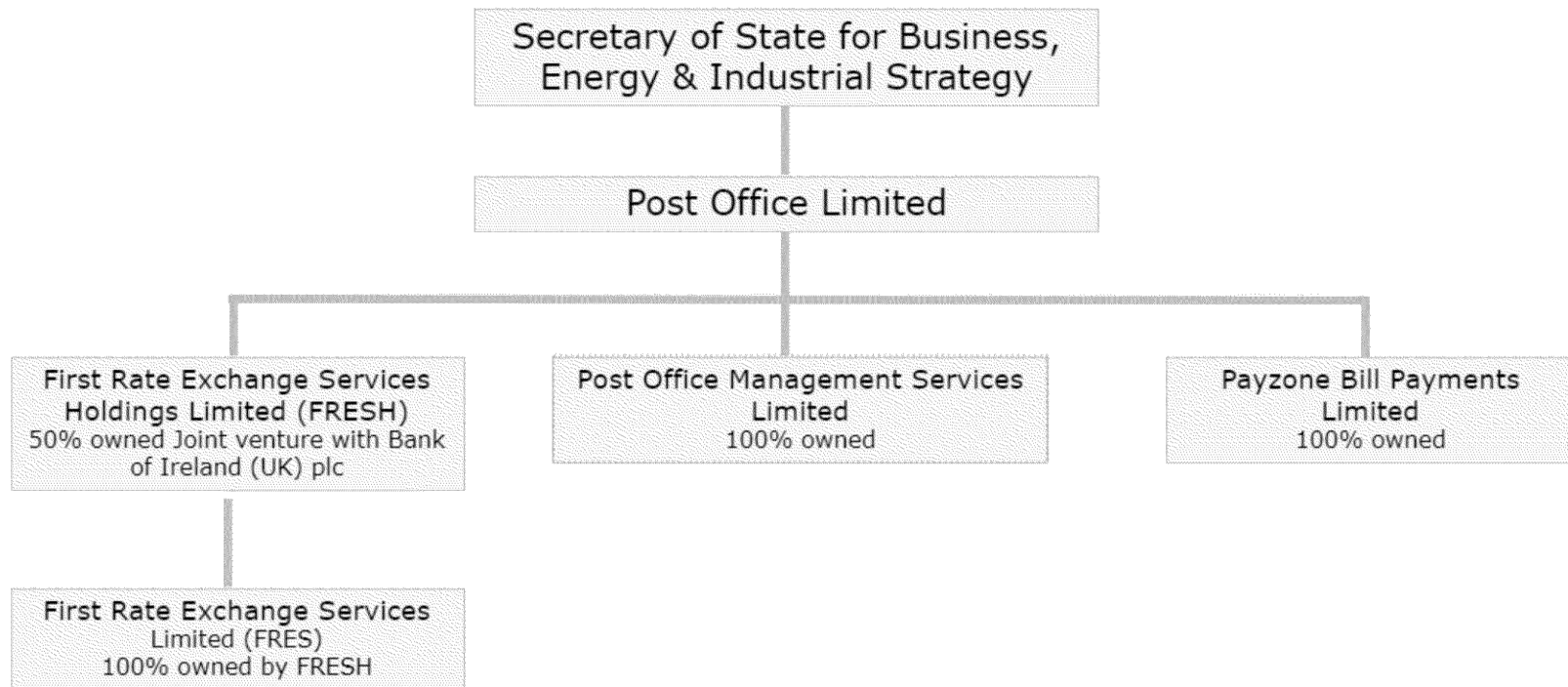
## Reason for the changes

- Post Office Limited's Shareholder (Department for Business, Energy and Industrial Strategy - BEIS) request
- Greater oversight by BEIS over the Group – certain matters relating to our subsidiaries now require BEIS consent
- Introduction of a Framework Document in line with other Government-owned entities
- Governance Framework translates changes to Constitutional Documents into operational documents
- Documents revised to be clearer and consistent across the Group

## Key Information

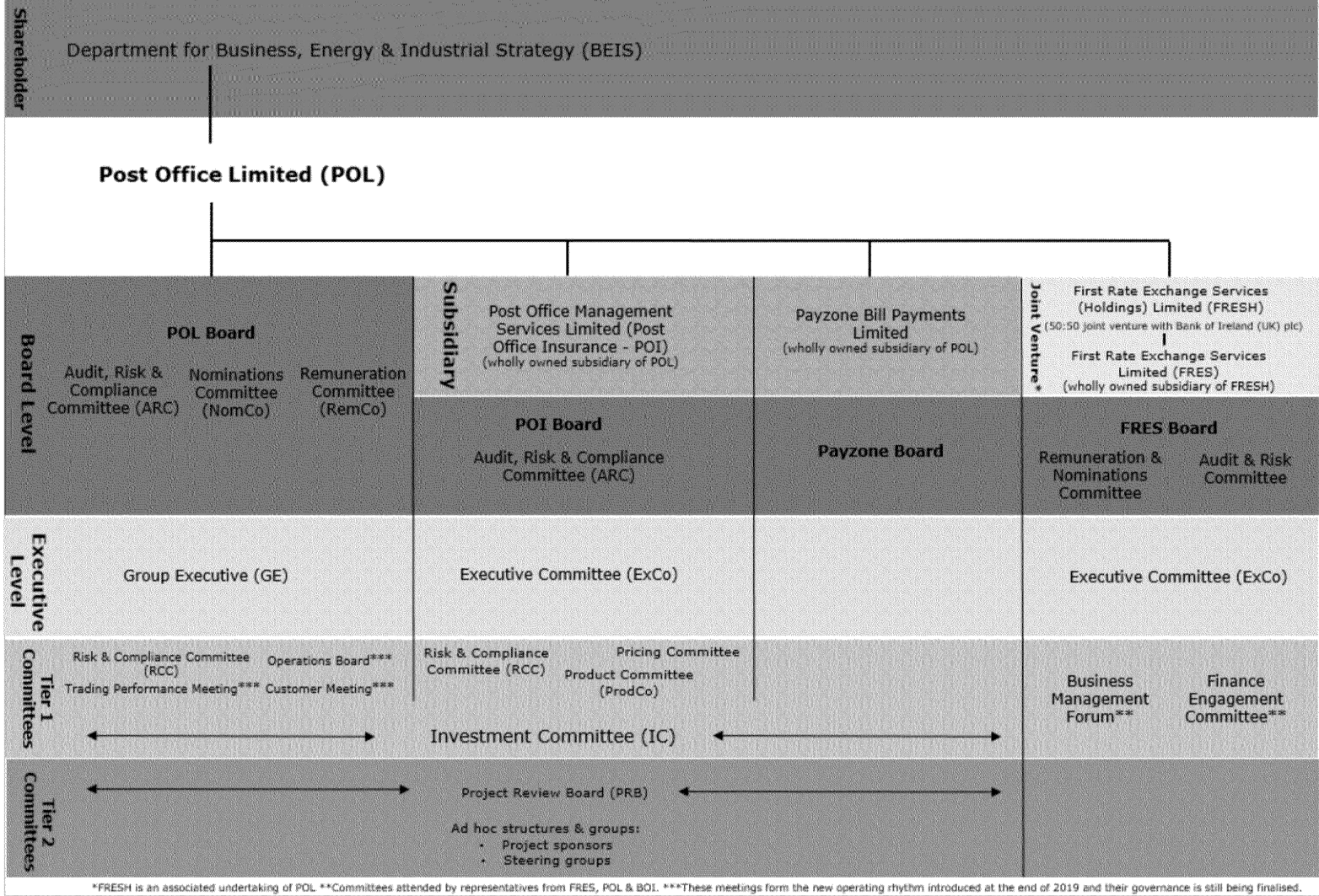
- Affects all Group Companies that are wholly owned by Post Office Limited (excludes First Rate Exchange Services Joint Venture)
- Final ministerial approval is pending, but expected shortly
- Due to be approved by all Group Boards in March 2020
- Changes are effective from 1 April 2020

# Group Structure





# Board & Committee Structure



## Company's Constitutional Documents ➡ Governance Framework

### Post Office Limited

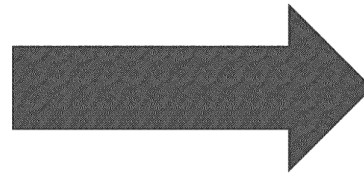
- Articles of Association (existing but revised)
- Entrustment Letter (existing)
- Funding Agreement (existing)
- Framework Document (new document)

### Post Office Insurance

- Articles of Association (existing but revised)

### Payzone Bill Payments Limited

- Articles of Association (existing but revised)



### Post Office Limited

- Matters Reserved to the Board
- Board Committee Terms of Reference
- Executive Committee Terms of Reference

### Post Office Insurance

- Matters Reserved to the Board
- Board Committee Terms of Reference
- Executive Committee Terms of Reference

### Payzone Bill Payments Limited

- Matters Reserved to the Board

# What is the purpose of these documents?

- Matters Reserved to the Board
  - Sets out the decisions that can only be taken at Board level
  - Includes where decisions require the consent of BEIS
  - Assists with Board planning and ensures that there is clarity over where the decision-making responsibility lies.
- Board Committee Terms of Reference
  - Sets out the powers and responsibilities of the committee
  - May be able to take decisions of its own accord, or may make recommendations to the Board
  - All power is delegated from the Board
- Executive Committee Terms of Reference
  - Forum for operational decision-making
  - Power delegated to CEO/MD for day-to-day running of the business
  - Assists CEO/MD in running the business – looking at tactical and strategic business issues and reviewing all matters going to the Board

## Company Matters Reserved

*For Post Office Limited, these matters require approval by BEIS as Shareholder of Post Office Limited.*

*For Post Office Insurance & Payzone Bill Payments Limits, these matters required approval by Post Office Limited as Shareholder.*

- The appointment or removal of directors, chief executive (or equivalent) or chair of the Company (including alternate directors, but Post Office Insurance is not permitted to have alternates)
- Any change in the prescribed minimum number of directors of the company (all have minimum of two)
- Any action taken by the company or the Board (including any appointment, removal or re-designation) which would have the effect that the Board ceased to include directors appointed to the post of chair, chief executive and finance director (or directors carrying out the general functions denoted by such posts).
- The approval of, or any material amendment, to director remuneration and terms and conditions of employment.
- The declaration or payment of any dividend or the making of any distribution by the company *other than in accordance with the Group Business Plan*.
- Any distribution, payment or return to shareholders of the company out of capital of the company.



# Group Matters Reserved

*For Post Office Limited, these matters require approval of BEIS as Shareholder of Post Office Limited.*

*For Post Office Insurance & Payzone Bill Payments Limits, these matters required approval by Post Office Limited (Shareholder) and BEIS (Parent Shareholder).*

*\*denotes a new approval requirement for POL (for subsidiaries, no matters previously required BEIS approval)*

- the adoption of a Group Strategic Plan / Company Business Plan or any material variation or amendment thereof
- The alteration or deletion of, or the ratification of any breach of, all or any part of the Articles
- The winding-up or entry into administration of the company or the presentation of a petition for the winding-up of the company
- Any action relating to shares in the Company
- Formation of a subsidiary or any action relating to a subsidiary or associated undertaking
- Amalgamation or merger of the Company with another
- Creation or grant of an encumbrance over whole or part of the business
- Other than intra-group, making of loans, granting of credit or giving of a guarantee or indemnity (other than in the ordinary course of business)
- Restructure or reorganisation of the Group
- Change to accounting reference date or accounting practices or policies previously used (unless required by law or GAAP)
- Appointment and remuneration of any director appointed to a subsidiary company who is not an employee of the Group (not applicable to Post Office Insurance)
- The establishment of a new pension scheme
- Substantial alteration to the nature of the business (unless specifically provided for in the Group Strategic Plan)
- Relevant transaction where Company ceases to own something meaning it cannot continue to perform the business of the Company
- Relevant transaction where spend/liability is >£50,000
- Relevant transaction that is not on commercial terms and is not considered by the Board to be in the best interests of the Company
- Actions relating to Trademarks (sale, assignment, disposal etc.)
- Non-intra Group borrowing (save for some limited exceptions) *(previously only where exceeded £75,000,000)*

## What is a relevant transaction?

- Any actual or proposed acquisition, sale or other disposition or parting or sharing of ownership of any assets, rights or property OTHER THAN:
  - In the ordinary course of business
  - Intra-group transactions
  - Transactions approved in the Group Strategic Plan



## Matters Reserved to the Board

# Tables of Delegated Authorities

# Board Committee Terms of Reference

# Executive Committee Terms of Reference

- Post Office Insurance:
  - Executive Committee (ExCo)
  - Risk, Compliance & Conduct Committee
  - Product Committee
  - Pricing Committee
- Post Office Limited:
  - Group Executive
  - Risk & Compliance Committee
  - Investment Committee
  - Project Review Board

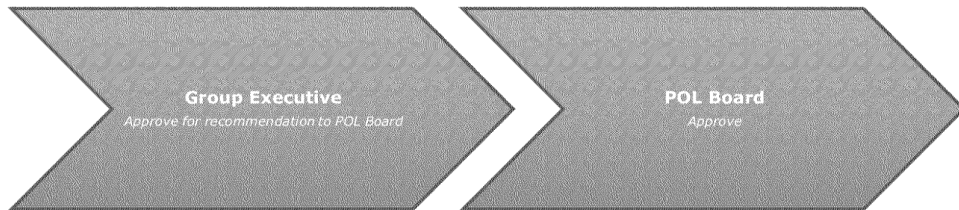
## Examples of key approval paths

## Post Office Limited : OPEX Spend Approvals

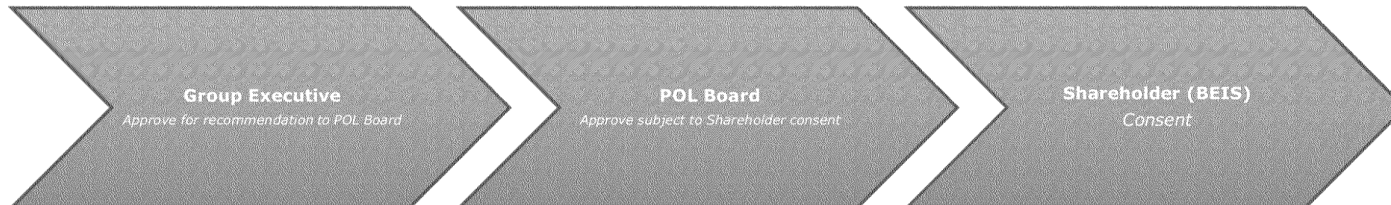
### Post Office Limited OPEX Spend (<£5m)

- Follows spend approvals delegated to CEO, CFO and GE.
- Requires completion of necessary governance processes including, where applicable, the Contract Approval Process.
  - ✓ *Liabilities/indemnities:* Approver must have requisite spend approval level to approve the higher of the cost and liabilities under the contract. Where liabilities are non-standard and over £2m – unlimited, these must be approved by General Counsel and CFO.

### Post Office Limited OPEX Spend (>£5m, <£50m)



### Post Office Limited OPEX Spend (>50m, where a relevant transaction (unlikely to arise here)\*)

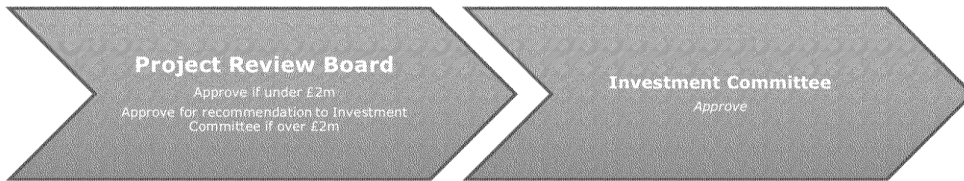


\*Relevant transaction is defined as any transaction which is not (i) in the ordinary course of business, (ii) intra-group or (iii) approved in the Group Strategic Plan.

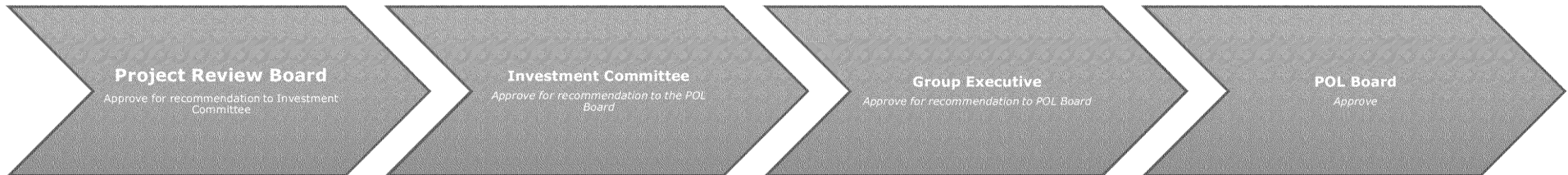


## Post Office Limited : Change (CAPEX & Exceptional) Spend Approvals

Post Office Limited Change Spend (<£5m)



Post Office Limited Change Spend (>£5m, <£50m)



Post Office Limited Change Spend (>£50m, where a relevant transaction\*)



Where a contract(s) must be signed following approval of change spend via any route, the Contract Approval Process must be followed.

\*Relevant transaction is defined as any transaction which is not (i) in the ordinary course of business, (ii) intra-group or (iii) approved in the Group Strategic Plan.

## Subsidiary: OPEX Spend Approvals

### OPEX Spend (Post Office Insurance <£5m, Payzone Bill Payments <£2m)

- Follows spend approvals delegated to Managing Director, CFO and ExCo/SLT(as applicable).
- Requires completion of necessary governance processes including, where applicable, the Contract Approval Process.
  - ✓ *Liabilities/indemnities:* Approver must have requisite spend approval level to approve the higher of the cost and liabilities under the contract. Where liabilities are non-standard and over £2m – unlimited, these must be approved by Group General Counsel and CFO/Finance Director (as applicable).

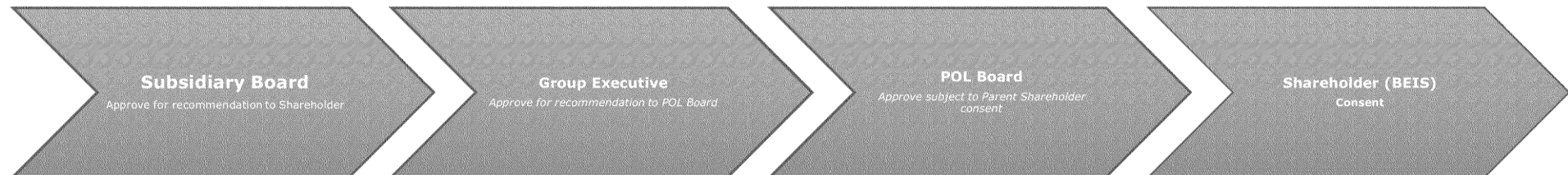
### Post Office Insurance OPEX Spend (>£5m, <£50m)



### Payzone Bill Payments OPEX Spend (>£2m, <£50m)



### Subsidiary OPEX Spend (>£50m, where a relevant transaction (unlikely to arise here)\*)



\*Relevant transaction is defined as any transaction which is not (i) in the ordinary course of business, (ii) intra-group or (iii) approved in the Group Strategic Plan.



## Subsidiary: Change (CAPEX & Exceptional) Spend Approvals

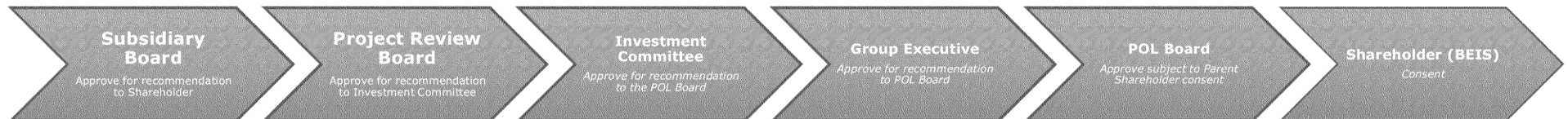
Post Office Insurance Change Spend (>£5m, <£50m)



Payzone Bill Payments Change Spend (>£2m, <£50m)



Subsidiary Change Spend (>£50m, where a relevant transaction\*)



Where a contract(s) must be signed following approval of change spend via any route, the Contract Approval Process must be followed.

Due to meeting timings, this may not follow in a linear manner.

\*Relevant transaction is defined as any transaction which is not (i) in the ordinary course of business, (ii) intra-group or (iii) approved in the Group Strategic Plan.

## What hasn't changed?

- The spend approval limits for all Group Companies remain the same:
  - POL Board >£5m
  - POI Board <£5m, >£5m requires POL Board approval
  - PZBPL Board <£2m, >£2m requires POL Board approval
  - In all cases, if >£50m and a relevant transaction, BEIS approval is required.
- Change Spend (CAPEX & Exceptional) approvals remain the same requiring Project Review Board (up to £2m) and Investment Committee (up to £5m) oversight.
- Liabilities approvals remain the same.
- Contract Approval Process must still be adhered to (where applicable).
- Contracts must still be signed in line with the Contract Execution Policy.

## Framework Document

- Though the Framework Document does not convey any legal powers or responsibilities and is not legally binding, it will be a public document, published on the Gov.UK website. It codifies the responsibilities between the parties to the Document and helps POL engage constructively with our Shareholder.
- POL's subsidiaries are not party to the Framework Document, but, from a relationship perspective, must support POL in adhering to its obligations.



# Framework Document Obligations

- The Framework Document sets out:
  - Certain parameters within which Post Office is expected to operate;
  - Certain obligations with which Post Office is expected to comply; and
  - Certain aspects of the relationship between the Shareholder, the Shareholder's Representative and Post Office and how it is expected that they will interact with each other
- Although broadly speaking the Framework Document simply formalises current practices, Post Office will now need to:
  - Develop a strategic plan for the Post Office Group covering a period of at least 3 years and a business plan covering a period of 12 months.
  - Discharge various reporting obligations including, on a quarterly basis, providing a report via the Shareholder's Representative setting out:
    - a summary of its performance over the previous quarter;
    - information on its expected draw-down on any available SGEI Payment for the remaining duration of the strategic plan referred to in the Funding Agreement; and
    - an update on delivery against its planned investments as stipulated in the Funding Agreement, and set out in the relevant Group Strategic Plan.
  - Have regard to a number of Government wide corporate guidance which are applicable to public corporations, and any future relevant guidance as specified by Government.

# Group Strategic / Business Plan Distinction

- Group Strategic Plan – at least three years:
  - describe the strategic objectives of the Group, the strategy for meeting those objectives and associated performance targets
  - analyse the commercial and regulatory environment in which the group operates
  - set out the group's strategic response to the commercial and regulatory environment
- Group Business Plan – 12 months:
  - the steps to be taken in respect of the current Group Strategic Plan
  - Annual budget, including financial forecasts and performance targets
  - a reconciliation of any differences from previous Business Plan and current Group Strategic Plan
  - reporting on key performance indicators and performance against targets
  - information on the network of Branches
  - information on the state of the relationship and any developments with the community of postmasters
  - Any proposed quarterly drawings of Government funding
  - information on the planned investment activities
  - an update on forecast financial performance for the current financial year
  - information on any other outcomes set out in the Group Strategic Plan that do not form part of the above.

# Guidance to which Post Office Group must have regard

- Corporate Governance
  - *Corporate Governance Code for Central Government Departments (April 2017)*
  - *Guidance note that supports the Corporate Governance Code (April 2017)*
  - *Code of Conduct for Board Members of Public Bodies (June 2019)*
  - *Management of Risk: Principles and Concepts (July 2019)*
- Financial Management
  - *Managing Public Money (MPM) (March 2018)*
  - *HM Treasury and NAO Guidance on Tackling Fraud (2013)*
  - *HM Treasury Consolidated Budget Guidance (particularly Chapter 11) (March 2019)*
- Senior Appointments and Remuneration
  - *Governance Code on Public Appointments (December 2016)*
  - *HM Treasury Guidance for approval of Senior Pay (January 2018)*
- Other
  - *Whistleblowing Guidance and Code of Practice (March 2015)*

# UK Corporate Governance Code 2018

- The Group is required to “seek to comply” with the Principles and Provisions of the Code.
- Code is designed for all companies with a premium listing, whether incorporated in the UK or elsewhere
- Emphasises the value of good corporate governance for achieving long-term sustainable success
- Consists of Principles and Provisions which are supported by Guidance on Audit Committees, Board Effectiveness and Risk Management, Internal Control and Related Financial and Business Reporting.
- Sections: Board Leadership & Company Purpose, Division of Responsibilities, Composition, Succession & Evaluation, Audit, Risk & Internal Control and Remuneration

## What does this mean for LCG?

- Does your team have any accountabilities or responsibilities under the Framework Document?  
What needs to be put in place to ensure these are met?
- Do you need to support the business in reporting requirements under the Framework Document?
- Do you need to consider any of the guidance to which Post Office must have regard in your advice?
- When providing advice to the business (including our subsidiaries), do you need to consider any approval requirements?
- If approvals are required, consider your timeframes which could be longer than expected.



## Comms for the Governance Framework

- Updated Decision-making page (One Update)
- Information drop in session for GE, GE-1 and subsidiary equivalent in March
- Business workshops in April







**Non-Executive Director annual appraisal discussion**

<b>Name:</b>	
<b>Date of meeting:</b>	
<b>1.</b>	<b>How do would you assess your contribution to meetings?</b>
<b>2.</b>	<b>How would you assess your chairing of meetings? (Where applicable)</b>
<b>3.</b>	<b>How would you describe your approach to engagement between meetings (e.g. do you have access to the people and information you need? Do you feel you have enough time to be to be able to fulfil the requirements of your role?)</b>
<b>4.</b>	<b>What do you see as the main experience, knowledge and skills you bring to the Board?</b>
<b>5.</b>	<b>Do you have any training or development needs and/ or suggestions for Board briefing sessions?</b>
<b>6.</b>	<b>Is there anything else you would like to add or discuss?</b>
<b>Chairman's comments:</b>	

**Non- Executive Director Induction – Lisa Harrington (11<sup>th</sup> February / 2<sup>nd</sup> & 11<sup>th</sup> March and 14<sup>th</sup> April 2020)****Group Executive**

Date & Time	Meeting with	Title	Key Accountabilities	Documents to provide:
Monday 2 <sup>nd</sup> March at 09.00hrs	Nick Read	Group CEO	<ul style="list-style-type: none"> <li>Overview</li> <li>Current issues</li> <li>North Star</li> </ul>	
Monday 2 <sup>nd</sup> March at 12.45hrs	Al Cameron	Group Chief Financial Officer  Group Operations and Supply Chain Director (Interim)	<ul style="list-style-type: none"> <li>Financial sustainability</li> <li>UKGI relationship</li> <li>Finance business partnering</li> <li>Financial planning and analysis</li> <li>Postmaster support –call centre</li> <li>Customer support –call centre</li> <li>GLO operational implementation</li> <li>Loss prevention</li> <li>Property management</li> <li>Supply chain operations</li> <li>Back office operations</li> <li>Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Financial performance pack</li> <li>Budgets</li> <li>Strategic 3 year plan</li> </ul>
Monday 2 <sup>nd</sup> March at 15.00hrs	Owen Woodley	Group Chief Commercial Officer	<ul style="list-style-type: none"> <li>Product trading</li> <li>Product insights</li> <li>Product innovation</li> <li>Product management</li> <li>Product partnership management</li> <li>Product support –call centres</li> <li>Commercial digital channel</li> </ul>	
Monday 2 <sup>nd</sup> March at 12.00hrs	Ben Foat	Group General Counsel	<ul style="list-style-type: none"> <li>Legal</li> <li>GLO strategy</li> <li>Litigation projects</li> <li>Compliance</li> <li>Data protection</li> <li>Governance</li> </ul>	<ul style="list-style-type: none"> <li>Summaries of significant contracts (BOI/ RMG/ Banking Services Framework etc)</li> <li>Group Policies (Conflicts, ABC)</li> </ul>

Monday 2 <sup>nd</sup> March at 16.00hrs	Richard Taylor	Group Corporate Affairs and Communications Director	<ul style="list-style-type: none"> <li>• Legal</li> <li>• GLO strategy</li> <li>• Litigation projects</li> <li>• Compliance</li> <li>• Data protection</li> <li>• Governance</li> <li>• Postmaster communications</li> <li>• Internal communications</li> <li>• Change communications</li> <li>• Event planning</li> <li>• Corporate social responsibility</li> </ul>	
Monday 2 <sup>nd</sup> March at 10.00hrs	Lisa Cherry	Group Chief People Officer	<ul style="list-style-type: none"> <li>• HR Business partnering</li> <li>• Talent acquisition</li> <li>• Talent management</li> <li>• Performance management</li> <li>• Core learning and development</li> <li>• Reward and pensions</li> </ul>	
Tuesday 11 <sup>th</sup> February at 11.30hrs	Emma Springham	Group Marketing and Brand Director	<ul style="list-style-type: none"> <li>• Customer insights</li> <li>• Brand</li> <li>• Marketing planning and operations</li> <li>• Branch marketing</li> <li>• Digital marketing</li> <li>• Social media</li> <li>• Campaign management</li> <li>• Marketing performance</li> </ul>	
Monday 2 <sup>nd</sup> March at 14.00hrs	Dan Zinner	Group Chief Strategy and Transformation Officer	<ul style="list-style-type: none"> <li>• Group strategy</li> <li>• Strategic portfolio office</li> <li>• Transformation portfolio delivery</li> <li>• Transformation portfolio assurance</li> <li>• Change community management</li> </ul>	



Tuesday 14 <sup>th</sup> April at 14.00hrs	Amanda Jones	Group Retail and Franchise Network Director (interim)	<ul style="list-style-type: none"> <li>• Postmaster relationship</li> <li>• Postmaster onboarding</li> <li>• Postmaster learning and development</li> <li>• Postmaster performance management</li> <li>• Postmaster remuneration</li> <li>• Postmaster exit and termination</li> <li>• Management of contractual arrangements – commercial partnerships</li> <li>• DMB management</li> <li>• Network operating model</li> </ul>	
Monday 2 <sup>nd</sup> March at 14.00hrs	Jeff Smyth	Group Chief Information Officer (interim)	<ul style="list-style-type: none"> <li>• Enterprise architecture</li> <li>• Software engineering</li> <li>• Data</li> <li>• IT contract management</li> <li>• IT service and operations</li> <li>• Disaster recovery and business continuity</li> <li>• Information security</li> <li>• Cyber security</li> </ul>	

### Board Members

Time	Meeting with	Title	Induction to include:	Documents to provide:
Tuesday 14 <sup>th</sup> April at 12.00hrs	Tim Parker	Chairman Chairman - Board, NomCo Member - RemCo		•
Monday 23 <sup>rd</sup> March at 17.00hrs	Ken McCall	SID Chairman – Remco Member - NomCo, ARC		
Still to be arranged	Carla Stent	NED Chair - ARC		
11 <sup>th</sup> February at 12.30hrs	Tom Cooper	Shareholder Representative		
Still to be arranged	Tim Franklin	Chairman – Post Office Insurance (POI) Member - ARC		

**Other meetings/visits**

<b>Time</b>	<b>Meeting with</b>	<b>Title</b>	<b>Induction to include:</b>	<b>Documents to provide:</b>
Monday 2 <sup>nd</sup> March at 10.30hrs	Veronica Branton	Company Secretary	Corporate Governance Framework Boards & Committees	
Tuesday 24 <sup>th</sup> March at 10.00hrs	Mark Siviter	Managing Director – Mails and Retail	Mails Strategy & negotiations with RMG	
Tuesday 11 <sup>th</sup> February at 14.00hrs	Tom Lee	Group Financial Controller		
Tuesday 11 <sup>th</sup> February at 15.00hrs	Johann Appel	Head of Internal Audit		
Tuesday 11 <sup>th</sup> February at 11.00hrs	David Parry	Senior Assistant Company Secretary	Induction Documents and request for information	
Tuesday 11 <sup>th</sup> February at 16.00hrs	Diane Blanchard	EA to Chairman, Non-Executive Directors and General Counsel	Ways of working and Board Support	

- Branch Visits: 11<sup>th</sup> March – Shephard's Bush Area
- Cash centre Visit: 14<sup>th</sup> April in the morning.

## **Induction Schedule**

**Date:** Tuesday 11<sup>th</sup> February 2020

**Location:** 1.03 Harpenden, Finsbury Dials

11.00hrs – 11.30hrs	David Parry, Senior Assistant Company Secretary
11.30hrs – 12.15hrs	Emma Springham, Group Marketing and Brand Director
12.15hrs – 12.30hrs	Break
12.30hrs – 13.30hrs	Tom Cooper, Non-Executive Director and Shareholder Representative
13.30hrs – 14.00hrs	Lunch
14.00hrs – 15.00hrs	Tom Lee, Group Financial Controller
15.00hrs – 16.00hrs	Johann Appel, Head of Internal Audit
16.00hrs – 16.30hrs	Di Blanchard, EA to Chairman and Non-Executive Directors

**Date:** Monday 2<sup>nd</sup> March 2020

**Location:** 1.02 Northolt, Finsbury Dials

08.30hrs to 09.15hrs	Jeff Smyth, Group Chief Information Officer (Interim)
09.15hrs to 10.00hrs	Nick Read, Group CEO
10.00hrs to 10.30hrs	Lisa Cherry, Chief Group People Officer
10.30hrs to 11.30hrs	Veronica Branton, Company Secretary
11.30hrs to 12.00hrs	Break
12.00hrs to 12.45hrs	Ben Foat, Group General Counsel
12.45hrs to 13.30hrs	Al Cameron, Group CFO
13.30hrs to 14.00hrs	Lunch
14.00hrs to 15.00hrs	Jeff Smyth, Group Chief Information Officer (Interim)
15.00hrs to 16.00hrs	Owen Woodley, Group Chief Commercial Officer
16.00hrs to 16.45hrs	Richard Taylor, Group Corporate Affairs and Communications Director

**Date:** Wednesday 11<sup>th</sup> March 2020

**Location:** Branch Visits, Shepherds Bush area

Timings and branches tbc	

**Date:** Monday 23<sup>rd</sup> March 2020

**Location:** Chairman's Office, Finsbury Dials

17.00hrs to 18.00hrs	Ken McCall, Senior Independent Director
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**Location:** Chiswell Street Dining Rooms, 56 Chiswell St, London EC1Y 4SA

18.00hrs to 20.30hrs	POL Board Dinner
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**Date:** Tuesday 24<sup>th</sup> March 2020

**Location:** 1.16 Balamory, Finsbury Dials

10.00hrs to 11.00hrs	Mark Siviter, Managing Director – Mails & Retail
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**Location:** 1.19 Wakefield, Finsbury Dials

11.45hrs to 17.00hrs	POL Board
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**Date:** Tuesday 14<sup>th</sup> April 2020

**Location:** Cash Centre, Etna House, Cody Road Industrial Estate, London, E16 4TG

09.00hrs to 11.00hrs	<p>Cash Centre Visit</p> <p><u>To note:-</u></p> <ul style="list-style-type: none"> <li>• ID Required - Finsbury Dials Access Pass or Driver's License</li> <li>• Steel toe capped boots</li> </ul>
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**Location:** 1.19 Wakefield, Finsbury Dials

12.00hrs to 12.30hrs	Tim Parker, Chairman
14.00hrs to 15.00hrs	Amanda Jones, Group Retail and Franchise Network Director

## **Induction materials for Lisa Harrington**

### **Contents Page**

#### **Core Induction Material**

1. Corporate History
2. Post Office Group Structure Chart
3. Post Office Group Business lines
4. Post Office Group Regulators
5. Boards & Executives
6. Company Secretariat
7. Entrustment Letter
8. Funding Agreement
10. Directors' Duties & Conflicts of Interest
11. Glossary of Terms
12. Guidance for Decisions Made Outside of Board Meetings
13. Code of Conduct for Board Members
14. Conflicts of Interest
15. Director Applicable Group Policies
  - Anti-Bribery & Corruption (incorporating Gifts & Hospitality)
  - Anti-Money Laundering & Counter Terrorist Financing
  - Travel & Expense Policy

#### **Company Constitutional Documentation**

16. Articles of Association
17. Governance Documents
  - Matters Reserved to the Board (pending review)
  - Audit, Risk & Compliance Committee Terms of Reference
  - Remuneration Committee Terms of Reference
  - Nominations Committee Terms of Reference
  - Group Executive Committee Terms of Reference
  - Delegated Authorities & Authorised Signatories
  - Structure Chart (pending review)
  - Board Effectiveness 2018
18. Accounts
  - Post Office Limited Annual Report and Accounts for 2018/19
19. Insurance
  - Group Insurance
20. Practical Matters
  - 2020 Meeting Dates
  - Board & Executive Contact list



Additional Induction Materials/ Background Papers

- Induction Briefing Note
- Initial funding request to Government 14 February 2020
- The Network Report
- The PSG papers to Board in 26 November 2019 and 28 January 2020
- The LTIP and STIP papers that went to RemCo on 11 November 2019, including the appendices
- The cash and facility management paper that went to Board on 26 November 2019
- The Starling papers to Board in July 2019 and January 2020