

PRIVATE AND CONFIDENTIAL

Report to the Board of Royal Mail Group

Board Governance Assessment 2012

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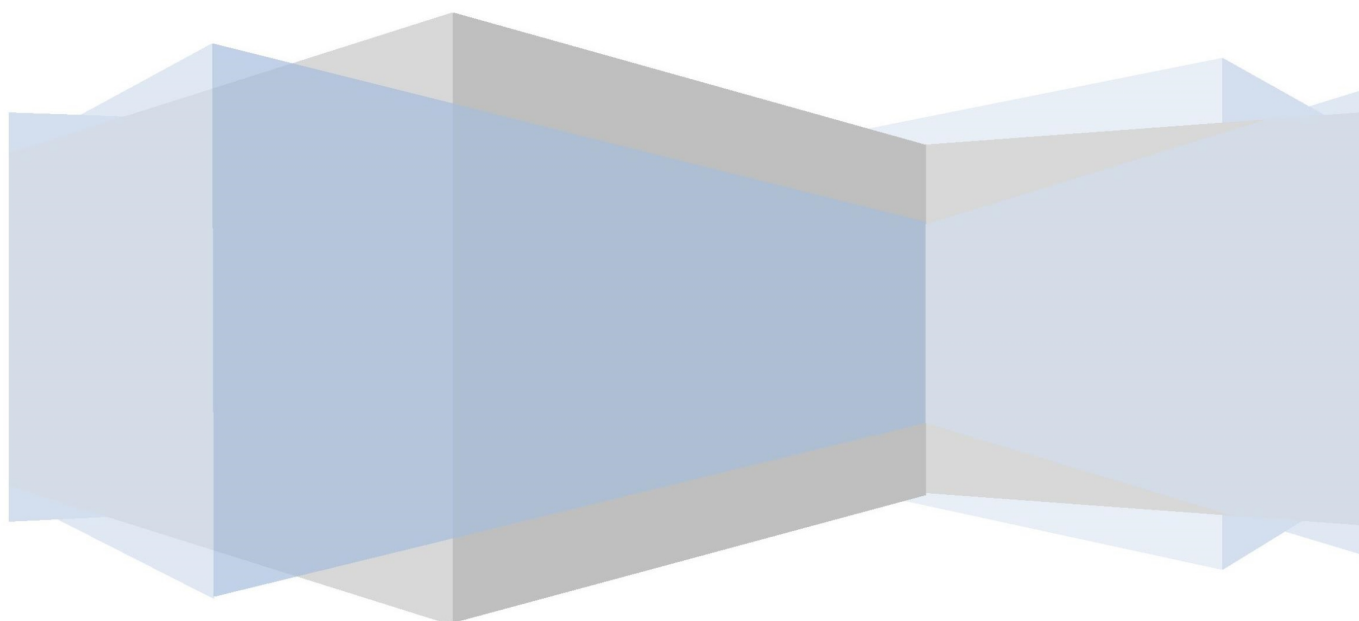


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Introduction

This report summarises responses to face-to-face interviews and a two-part questionnaire on the operation and governance of the Royal Mail Board. All Board Directors were interviewed and all completed the questionnaire. The interviews were broad ranging and help to provide context for the questionnaire responses.

The questionnaire has 2 parts:

Part 1 comprises 11 distinct sections and a total of 76 questions on a 1-7 scale, where 1 indicates dissatisfaction and 7 indicates satisfaction. In addition, respondents are given the opportunity to write comments under each section.

Part 2 asks respondents to assess the level of Board engagement at Royal Mail for six business activities, indicating both their rating for current engagement and desired engagement.

Here, we report on both the quantitative data from the scaled questions and the qualitative data from the written observations and interviews.

We show, where appropriate, the overall means for individual questions taken from the databank of a wider sample of Boards drawn mainly from the FTSE 100, but also including not-for-profit and some enterprises based outside the UK. The databank therefore does not constitute a directly comparable or random sample, but is included for illustrative purposes and to show where there may be patterns in high and low scores on other Board surveys using similar questions

Appendix 1 shows questionnaire results by rank order. Appendix 2 shows wider databank means by rank order. Appendix 3 shows the gap between Royal Mail and the wider databank means. Appendix 4 shows the distribution of responses for each Board member across the 76 scaled questions in Part 1. Appendix 5 shows the gap between Royal Mail 2009 & 2012 Mean Scores, Appendix 6 shows a bar chart comparison for section Mean Score between Royal Mail 2009 & 2012 and Appendix 7 shows bar chart comparisons of mean scores for the Board, Executive Directors, Non-Executive Directors and the wider databank.

Summary

Questionnaire responses

Overall, the results show that Board members express satisfaction with various aspects of Board governance and functioning. In Part 1 53% of questions are at and above the mean from the wider databank and 67% have a rating of 5.5 or above on a seven point scale. 52% of questions score the same as or higher than the 2009 Board assessment results.

Particular strengths are:

- Board leadership and culture (qs 49-56)
- Audit and Risk Committee (qs 57-63)
- Corporate governance (qs 24, 16, 50)

Also strong - by comparison to wider norms and/or the previous 2009 assessment - are:

- Utilisation of directors' experience (q 3)
- Agenda focus on relevant issues (q 11)

But data from Part 1 also suggest areas for improvement which include:

- Resourcing, remit and operation of the Remuneration Committee (qs 70-76)
- Structure and membership of Board committees (q 8)
- Number and length of meetings (qs 6, 7)

In addition, some commentary and questionnaire responses indicate concerns around:

- Setting of performance objectives (q 43); monitoring of performance (qs 44, 47)
- Quality/quantity of information flows (qs 34, 35)

In Part 2 responses show a Board which could be more engaged in several priority areas, in particular:

- Innovation and new products; and strategy for growth
- Customer focus

Interview responses

Context and recent history

Interviews enabled discussion of issues free from the constraints of the questionnaire design, while at the same time giving opportunity to comment on key themes emerging from the pattern of questionnaire responses.

Board members stress the unique context of the RM Board – in relation to the shareholder relationship; demanding market conditions; pace of technological change; mix and scale of operations and so on. These comments mirror those expressed in the 2009 Board assessment. As before, they describe a context of considerable complexity.

Since 2009 the Board has been in a period of transition. One NED joined as the last assessment was completed - three more NEDs arrived during 2010. A new CEO and CFO were appointed in the same year.

Given the diverse backgrounds of those simultaneously appointed to the Board, directors describe a period of learning and adjustment. At the same time, they recall Board focus on short-term survival – with a constant check on whether Royal Mail could be regarded as “a going concern”.

Recent developments in relation to pension plan liabilities; balance sheet restructuring and a new regulatory framework are seen to have resolved many questions about the financial health of RM.

With a more settled Board - and short-term challenges addressed - the focus turns to preparation for privatisation. How well set is the Board - and the business - for a transaction likely to take place within the next 18 months?

Board members describe a “highly charged” atmosphere; events unfolding at “breakneck” speed; a business even more “in the spotlight”; increasing work pressures; and a set of potentially “career defining” business challenges.

How, then, can the Board equip itself to actively shape this new agenda?

Board capabilities

The interviews indicate a Board more confident in its capabilities – and confirm many of the positive questionnaire responses. In particular:

- The Board is perceived as substantially strengthened by its newer members (both NEDs and EDs).
- NEDs are seen to bring appropriate experience/expertise relating to, for example, government/regulatory environment; public utility privatisation; marketing/customer insight and so on
- NEDs are seen as more aligned and knowledgeable; better able to understand the business; more engaged and demanding; more aware of their respective roles – and, as a result, more respected by the EDs

- Internal dynamics and key relationships appear to be excellent; culture and teamwork are strong
- The Chairman is universally praised – typical comments include: “clear on priorities but enables discussion”; “strong but listens”; “supportive”; “excellent mentor for newcomers”; “handles complexity”; “appropriate skill set for transaction”.
- The CEO is also described in very positive terms: “a force of nature”; “hands on”; “energetic”; “challenging” “a powerful communicator of our case – to the shareholder, and the regulator”; “successfully engaged with the unions and staff”.
- The Chairman-CEO relationship is seen as strong and well placed to handle anticipated challenges
- Audit and Remuneration Committees are regarded as well led
- Board agendas are appropriately focused and, in the main, business effectively dispatched

On all these important dimensions - relating to membership, priorities and dynamics - the Board compares well with others and seems set to handle RM's anticipated transition.

Areas for improvement

This is not to say that members did not express concerns – for example, around:

- Shared understanding of “operations”; the challenges of modernisation; and the “people factor”
- The extent to which EDs constructively invite help from NEDs
- The need for newer NEDs to continue their learning
- The appropriate and timely provision of information (in a fast changing context)
- Political tensions surrounding the operation of the Remuneration Committee and related retention issues

More broadly, several express the view that whilst the Board appears strong on many dimensions, the business remains “at risk”. Consequently questions are raised about shaping the organisation and maximising performance in the run up to the anticipated transaction in ways which can produce a successful outcome (whatever this may look like). How can the Board facilitate:

- Development and communication of a strong growth story/strategy
- Capability to execute or deliver a growth strategy
- Greater customer focus and insight
- Development of change management/transformation/IT capability
- Robust management structures; metrics and information flows
- Greater awareness of the levers that can be pulled (and those that cannot)

Next steps

The areas for improvement that emerge from the questionnaire and interviews are likely to be interconnected not discrete. Further, the weight attached to each varies by Board member.

When asked to consider positive outcomes from this assessment directors' responses fall broadly into two sets.

One favours an early and explicit "airing" of any differences amongst directors on the business risk factors referred to above - as a step towards building agreement on how to address them.

The other focuses more on fine tuning what might be called Board mechanics – for example, number of meetings and their length; Committee membership; operation of the Remuneration Committee; and length and quality of Board papers.

These two sets are not mutually exclusive. Together with some of the more detailed observations emerging from the questionnaire they might form the start point for further Board discussion.

Analysis of Board Responses to Part 1 of the Questionnaire: The Board

Role and Organisation

(Note Mean Board score for 2009 is included below the 2012 score in brackets throughout)

The mean score for this section comprising eight items is 5.5 out of a possible 7.

- Utilisation of Directors' experience (q 3) has improved since 2009
- But other scores have fallen and compare unfavourably with the wider mean– in particular those relating to committee structure (q8) and the number and length of meetings (qs 7 and 8)
- Several comments relate to meeting length and to Committee membership

	Question	1	2	3	4	5	6	7	Mean Board	Mean NEDs	Mean EDs	Mean Databank
1	The role and scope of the Board's authority is clearly defined.	-	-	-	-	2	5	3	6.1 (6.2)	6.0	6.3	6.0
2	The Board keeps under review whether its role should be changed in any way.	-	-	1	2	2	3	2	5.3 (5.4)	4.9	6.3	5.2
3	The Directors' experience is utilised.	-	-	-	-	3	5	2	5.9 (5.1)	5.7	6.3	5.5
4	The Board reviews its composition annually.	-	-	1	3	3	3	-	4.8 (4.9)	4.6	5.3	5.2
5	There are written defined expectations concerning Directors' responsibilities.	-	-	-	3	3	4	-	5.1 (5.2)	5.1	5.0	5.1
6	The number of meetings is sufficient.	-	1	1	-	1	4	3	5.5 (6.0)	4.9	7.0	6.1
7	The length of meetings is adequate.	-	-	-	1	3	4	2	5.7 (6.3)	5.6	6.0	6.1
8	The current Board committee structure is appropriate.	-	-	2	1	1	5	1	5.2 (6.2)	5.3	5.0	6.0

Comments from questionnaire

NED

1	With regard to the structure of committees, I don't believe that the present 'all in' approach is incorrect, but I think the proposal to review this is the right one even if we decide to stay as is.
2	These comments obviously relate to the current governance obligations. The governance challenge will become more complicated and onerous post transaction, and particularly if listed. The Board should start to think about the implications.
3	Some Board meetings are too long
4	All NEDs sit on the Rem Committee and the Audit Committee thus defeating one of the purposes of having Board Committees. I would prefer a conventional approach where committee membership is a subset of NEDs with appropriate and relevant experience
5	Question 7 is unhelpfully worded. My view is that we meet too infrequently, given the range of issues that we are facing, and that the meetings are too long as a consequence. But saying that the length of meetings is inadequate doesn't convey the latter point. In response to question 5, I am not aware of a written statement of expectations of Directors, but I do not particularly think this is a problem
6	The meetings are often too long. This may be because we are trying to cover too much with too few meetings.

ED

8	I have marked 4 where I am not aware whether this is an accurate statement or not
9	1. We need clarification of mandate of RemCo 4. The Chairman does this periodically, e.g. union participation, etc.
10	Would expect to also have a Board HSE Committee

Agenda

The mean score for this section comprising seven items is 5.8 out of a possible 7.

- Generally scores have improved since 2009 and compare favourably with wider means
- Agenda focus is particularly strong (q 11) and the time devoted to strategic issues has improved (q 14)
- Broadly comments are positive with some areas for fine tuning suggested

	<i>Question</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>Mean Board</i>	<i>Mean NEDs</i>	<i>Mean EDs</i>	<i>Mean Databank</i>
9	The agenda-setting process schedules issues in a timely fashion.	-	-	-	-	3	5	2	5.9 (5.8)	5.9	6.0	5.7
10	All Directors are able to influence the content of the agenda.	-	-	-	1	4	5	-	5.4 (5.2)	5.3	5.7	5.3
11	Agenda items focus on relevant issues.	-	-	-	-	-	8	2	6.2 (5.8)	6.1	6.3	5.7
12	The Board identifies issues for review on a regular basis.	-	-	-	-	3	7	-	5.7 (5.7)	5.7	5.7	5.6
13	Board meetings are productive and achieve their objectives.	-	-	-	-	2	7	-	5.8 (5.5)	5.9	5.5	5.7
14	Sufficient meeting time is devoted to strategic issues.	-	-	-	1	3	5	1	5.6 (4.8)	5.6	5.7	5.4
15	Sufficient meeting time is devoted to corporate performance	-	-	-	-	3	7	-	5.7 (5.9)	5.7	5.7	5.9

Comments from questionnaire

NED

1	Believe more time should be spent on bigger picture strategic issues, customer trends and revenue development. Should consider weaving these in more to Board meetings...perhaps quarterly than a one off event in the summer
2	An attempt has been made to cover the groups' principal risks during the Board cycle, by using the lens of real business issues. Whilst the intention is good, the execution has not been as systematic as I would like.
3	Broadly the Board works well and there has been increased focus on what matters
5	The process of setting the agenda is opaque to me - I assume it happens between the Chairman and the executive. However, I have no problem with that. The Chairman quite effectively picks up on issues that arise in the meetings, and suggests issues that need consideration at future meetings. And if there is an issue that I want discussed, I can easily raise it with the Chairman and he is responsive.
6	See above. Board meetings could be even more productive if pace is kept up, with tighter chairing.

ED

8	As an Executive it is easier to judge but the Chairman is very active in defining what is to come to the Board and getting balance
9	9. We do the best we can. Sometimes things come up requiring discussion without prior notification.

Corporate Governance

The mean score for this section comprising five items is 5.9 out of a possible 7.

- The strong score on corporate governance standards (q 16) is repeated from the 2009 assessment
- Most – but not all – are satisfied with the balance between EDs and NEDs (q 19) and the committee structure (q 20), and these issues are taken up in some of the comments

	<i>Question</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>Mean Board</i>	<i>Mean NEDs</i>	<i>Mean EDs</i>	<i>Mean Databank</i>
16	The Board operates to high standards of corporate governance.	-	-	-	-	-	5	5	6.5 (6.6)	6.4	6.7	6.2
17	Non-Executive Directors are recruited according to corporate governance good practice.	-	-	-	2	1	2	4	5.9 (5.3)	5.7	6.5	6.0
18	Directors receive appropriate guidance in matters of corporate governance.	-	-	-	-	4	4	2	5.8 (5.4)	5.7	6.0	5.8
19	The balance of executive/non executive directors is appropriate	-	-	1	1	1	5	2	5.6 (5.6)	5.7	5.3	5.7
20	The Committee structure is sufficient	-	-	1	-	2	5	2	5.7	5.4	6.3	6.0

Comments from questionnaire

NED

2	Having all Directors sit on all committees has its merits, but does provide an opportunity for some to 'sit back' rather than forward. This increases the burden on committee Chairs.
3	Consideration is being given to a Finance Committee which may prove very helpful in any run-up to an IPO
4	Too many Executive Directors – should be restricted to CEO and CFO although recognise the difficulty of changing at the moment - Comment on committees as above
5	The recruitment of the current Non-Execs was done by the current Chairman. I was not involved in the recruitment, which in my experience is unusual. However, I have no criticism whatsoever of the result.

ED

9	19. There are too many Executives on the Board.
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Non-Executive Directors

The mean score for this section comprising nine items is 5.4 out of a possible 7.

- The mix of expertise and experience amongst the NEDs (q 21) represents the biggest improvement on any item since the 2009 assessment.
- The independence of the NEDs (q 24) is also highly rated
- But views on knowledge of, and interaction with, key executives below the Board (qs 26, 27) are mixed; as are opportunities for additional training (q 28)
- A new question on diary flexibility elicits a mixed response (q 29)
- Comments from NEDs return to the diary issue; EDs focus on the need for more operational experience

	<i>Question</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>Mean Board</i>	<i>Mean NEDs</i>	<i>Mean EDs</i>	<i>Mean Databank</i>
21	Non-Executive Directors represent an appropriate mix of expertise and experience.	-	-	-	1	1	5	1	5.8 (4.2)	6.2	4.5	5.6
22	The recruitment criteria for Non-Executive Directors ensure a balanced Board.	-	-	-	-	2	5	1	5.9 (4.8)	6.0	5.5	5.5
23	Non-Executive Directors have appropriate knowledge of the Group and the issues it faces.	-	-	-	-	6	2	-	5.3 (5.3)	5.3	5.0	5.5
24	Non-Executive Directors are sufficiently independent of executive management.	-	-	-	-	-	3	6	6.7 (6.4)	6.6	7.0	6.4
25	Non-Executive Directors have enough opportunities to meet without the Executive Directors.	-	-	1	1	1	6	-	5.3 (5.4)	5.1	6.0	5.5
26	Non-Executive Directors have adequate knowledge of key executives below the Board.	-	-	1	4	1	3	-	4.7 (4.8)	4.6	5.0	4.8
27	Non-Executive Directors have adequate opportunity to meet with key executives below the Board.	-	-	1	3	2	3	-	4.8 (5.1)	4.9	4.5	4.9
28	Non-Executive Directors are offered the opportunity to undertake additional training.	-	-	1	1	5	2	-	4.9 (5.4)	4.9	5.0	5.1
29	Non-Executive Directors are sufficiently flexible in their diaries to facilitate meetings.	-	-	1	1	2	4	1	5.3	5.1	6.0	NA

Comments from questionnaire

NED

1	Don't believe that the criteria for NEDs has ever been written down or articulated. Not been party to a discussion about make-up, overlaps, gaps etc.
2	Continuous professional development is encouraged, but no idea if colleagues make the effort - maybe it should also be reported on
3	Diaries are a problem; with a Group like RM there is a need for more flexibility. The Group should diarise 2012 and 2013 meetings as soon as possible.
5	Diary management is always a problem with busy people. And there has recently been a tendency to move meetings around late in the day, which wherever possible should be avoided.

ED

9	21. Not enough operational experience. No technology or project experience. 23. It is getting better
10	More Industrial Operational change experience would be useful

Executive Directors

The mean score for this section comprising four items is 5.7 out of a possible 7.

- The balance and teamwork of the EDs are positively scored (qs 31, 32)
- NEDs are less positive than EDs about opportunities to evaluate performance of the EDs (q33)
- Comments relate to size, teamwork and customer/digital experience

	<i>Question</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>Mean Board</i>	<i>Mean NEDs</i>	<i>Mean EDs</i>	<i>Mean Databank</i>
30	The Executive Directors as a group are representative of the business.	-	1	-	1	2	3	3	5.5 (6.3)	5.3	6.0	6.0
31	The Executive Directors work well as an Executive Team.	-	-	-	1	2	5	2	5.8 (5.6)	6.0	5.3	5.8
32	The Executive Directors are a balanced team of management expertise and experience.	-	-	-	-	3	4	3	6.0 (5.8)	5.9	6.3	5.8
33	The Board has sufficient opportunity and information to evaluate the performance of the Executive Directors.	-	-	-	2	3	3	2	5.5 (5.9)	5.1	6.3	5.6

Comments from questionnaire

NED

1	There is no deep customer experience represented at Executive level. Could also combine with greater digital experience.
2	I have a generally high regard for the capability and performance of the executive team. But Royal Mail is a difficult environment for world class talent to thrive in – mainly because of shareholder limitations. The Board needs to monitor closely the stability of the executive team in light of this.
3	Small number of Exec Directors is appropriate
4	The Exec Directors act as a team when in the presence of the NEDs. Hard to tell if they act as a team outside that environment although no evidence to suggest that they don't. The CEO is a dominant personality.

Information

The mean score for this section comprising nine items is 5.7 out of a possible 7.

- Questions on the quality and quantity of information receive slightly mixed responses (qs 34, 35) and compare unfavourably with wider means
- Generally, however, comments are positive - with improvements acknowledged - but some say there is scope for further gains

	<i>Question</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>Mean Board</i>	<i>Mean NEDs</i>	<i>Mean EDs</i>	<i>Mean Databank</i>
34	The quality of information provided to the Board and its Committees is appropriate	-	-	-	1	4	4	1	5.5 (6.0)	5.9	4.7	5.9
35	The quantity of information provided to the Board and its Committees is appropriate.	-	-	-	2	5	2	1	5.2 (5.6)	5.4	4.7	5.9
36	Additional information required is fully and promptly made available.	-	-	-	1	2	6	1	5.7 (5.9)	6.0	5.0	6.1
37	Presentations to the Board are of a high standard.	-	-	-	-	4	5	1	5.7 (6.0)	5.9	5.3	5.8
38	Directors receive appropriate education on issues facing the Group.	-	-	-	1	3	4	2	5.7 (5.9)	5.7	5.7	5.3
39	The induction process provides adequate information for new Directors to understand the Company and their role.	-	-	1	-	6	2	1	5.2 (5.9)	5.6	4.3	5.4
40	The Board has appropriate access to external advice	-	-	-	-	2	4	4	6.2 (6.4)	6.3	6.0	5.9
41	Non-committee members are appropriately informed about the business of Board committees.	-	-	-	-	2	3	4	6.2 (6.1)	6.5	5.7	5.7
42	The papers for each Board and Committee meeting are provided sufficiently in advance of the meeting.	-	-	-	-	3	5	2	5.9 (5.9)	5.9	6.0	5.5

Comments from questionnaire

NED

2	Generally very high quality staff work. All management presentations are of a high quality, and pitched at the right level.
3	The quality and quantity of information has improved. Summaries are very useful. Q41: Those not attending are informed.
4	Quantity of info is high! Would be more digestible for NEDs if quantity was reduced and it was made easier to see the wood from the trees in some of the standard Board papers. NEDs get full info on Board committees as they all sit on all of them!
5	My induction is sufficiently in the past for me not really to know how well the induction process works – mine was certainly fine. Since all non-execs sit on all committees (an unusual and not necessarily desirable thing), Question 41 does not apply

ED

8	Crisper papers could be provided
9	34. It is still too long but getting better. 42. Most of the time.

Monitoring Group Performance

The mean score for this section comprising six items is 5.5 out of a possible 7.

- Communication with the shareholder (q 48) and contribution to strategic direction (q 46) are seen to have improved since 2009 and scores exceed wider norms
- But agreement on performance objectives (q43) has declined and responses are a little mixed
- Performance objectives and monitoring issues are picked up in the comments

	<i>Question</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>Mean Board</i>	<i>Mean NEDs</i>	<i>Mean EDs</i>	<i>Mean Databank</i>
43	The Board has agreed appropriate and rigorous company performance objectives	-	-	-	2	3	4	1	5.4 (5.9)	5.1	6.0	5.6
44	The Board has robust procedures for monitoring corporate performance (operational and financial).	-	-	-	-	4	5	1	5.7 (5.9)	5.4	6.3	5.7
45	The Board monitors business development effectively.	-	-	-	1	5	4	-	5.3 (5.3)	5.1	5.7	5.3
46	The Board contributes effectively to the Group's strategic direction.	-	-	-	-	4	4	2	5.8 (5.2)	5.9	5.7	5.6
47	The Board is able to identify potential problems in the Group's performance.	-	-	-	1	5	4	-	5.3 (5.7)	5.0	6.0	5.5
48	The Board communicates effectively with the shareholder	-	-	-	1	2	6	1	5.7 (5.0)	5.4	6.3	5.3

Comments from questionnaire

NED

2	The Board is an effective forum for proactive strategic leadership, but our role in terms of performance setting is much more reactive. I don't believe that we are close enough to the business drivers to challenge management's performance expectations. The group almost feels like a super tanker – set on a certain path and very difficult to manoeuvre. Also, performance has to date been dominated by cash metrics and quality of service metrics. If the group is listed, notions of 'return' will become critical and there is no DNA in this area.
3	Communication with shareholder is largely through Chairman; recent dinner was helpful
5	My scoring here reflects two things. First, although we have clear targets, the process of transformation is so complex that it is hard to insist on those targets and expect delivery. Second, we have had one very serious failure of management and internal audit controls which was very concerning – are there other instances of which we are unaware

ED

8	As the focused strategy crystalises so a clearer picture of the initiatives which are driving performance will need to be given to make performance monitoring very clear
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Board Leadership and Culture

The mean score for this section comprising eight items is 6.1 out of a possible 7.

- All but one question (q56) score higher than the wider mean databank.
- Board leadership (q 49), Chairman/CEO role differentiation (q 50), teamwork/constructive relations (qs 52, 55), participation (q 53) and open communication (q 54) are scored strongly
- Some scores and comments suggest that meeting management and succession planning are areas for possible improvement

	<i>Question</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>Mean Board</i>	<i>Mean NEDs</i>	<i>Mean EDs</i>	<i>Mean Databank</i>
49	The Board receives effective leadership.	-	-	-	-	-	6	4	6.4 (6.0)	6.3	6.7	6.1
50	The roles of Chairman and Chief Executive are clearly differentiated at the company.	-	-	-	-	-	4	6	6.6 (6.8)	6.6	6.7	6.4
51	Board meetings are managed efficiently.	-	-	-	1	1	4	4	6.1 (6.0)	5.9	6.7	6.0
52	The Board operates constructively as a team.	-	-	-	-	2	7	1	5.9 (5.6)	5.7	6.3	5.8
53	The Chairman and the Group Chief Executive have created a culture in which all Directors can participate fully.	-	-	-	-	1	4	5	6.4 (6.0)	6.3	6.7	6.0
54	Board discussions are a free and open exchange of views.	-	-	-	-	-	6	4	6.4 (5.6)	6.4	6.3	6.0
55	There is a constructive relationship between Non-Executive Directors and Executive Directors.	-	-	-	-	-	7	3	6.3 (5.8)	6.3	6.3	6.0
56	There is sufficient consideration given to succession planning of Board members.	-	-	1	3	3	3	-	4.8 (4.9)	4.6	5.3	5.0

Comments from questionnaire

NED

3	Succession planning for NED's has been unnecessary as Board stability is viewed as important pre IPO
5	I think that the Board meetings are not managed as well as they could be. There is a tendency for long presentations on occasions from the executive, going through papers that we have read, and the discussion can be allowed to go on too long. But this s a minor criticism – generally Board meetings are very effective.

ED

8	I think the Board is strong in this regard
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Audit and Risk Committee

The mean score for this section comprising seven items is 6.2 out of a possible 7.

- Both scores and commentary are positive – particularly related to leadership and chairing.
- The issue of subcommittee membership is revisited in the comments

	<i>Question</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>Mean Board</i>	<i>Mean NEDs</i>	<i>Mean EDs</i>	<i>Mean Databank</i>
57	The Committee receives effective leadership.	-	-	-	-	-	5	4	6.4 (6.1)	6.3	6.7	6.1
58	The role, scope and authority of the Committee are clearly defined.	-	-	-	-	-	5	5	6.5 (6.3)	6.4	6.7	6.3
59	The composition of the Committee is appropriate with the right level of experience and expertise.	-	-	1	-	2	4	3	5.8 (5.9)	5.4	6.7	5.9
60	There are sufficient meetings of the Committee.	-	-	-	-	-	7	3	6.3 (6.3)	6.1	6.7	6.3
61	The Committee meetings are managed effectively.	-	-	-	-	1	6	2	6.1 (6.1)	6.0	6.3	6.1
62	The Committee is provided with adequate resources to perform its function effectively.	-	-	-	-	2	6	2	6.0 (6.4)	5.9	6.3	6.2
63	It is clear where responsibility for monitoring risk lies.	-	-	-	-	2	6	2	6.0	5.9	6.3	NA

Comments from questionnaire

NED

3	The ARC should have fewer members provided attendance is guaranteed. 63: As clear as reasonable
5	Audit Committee works very well and is very effectively chaired

ED

8	The recent enhancements of the Executive Risk Management process has really helped this Committee
---	---

Nomination Committee

The mean score for this section comprising six items is 5.7 out of a possible 7.

- Assessment is broadly comparable with wider means
- Comments suggest assessment is difficult due to low levels of activity but that the opportunity for strategic talent management may be missed as a result.

	<i>Question</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>Mean Board</i>	<i>Mean NEDs</i>	<i>Mean EDs</i>	<i>Mean Databank</i>
64	The Committee receives effective leadership.	-	-	-	-	3	4	-	5.6 (6.1)	5.5	6.0	5.9
65	The role, scope and authority of the Committee are clearly defined.	-	-	-	-	2	3	2	6.0 (6.0)	6.0	6.0	6.0
66	The composition of the Committee is appropriate with the right level of experience and expertise.	-	-	-	-	2	3	2	6.0 (5.6)	6.0	6.0	5.9
67	There are sufficient meetings of the Committee.	-	-	1	-	2	3	1	5.4 (6.3)	5.2	7.0	5.9
68	The Committee meetings are managed effectively.	-	-	-	-	2	4	1	5.9 (5.5)	5.8	6.0	5.7
69	The Committee is provided with adequate resources to perform its function effectively.	-	-	-	1	2	4	-	5.4 (5.8)	5.3	6.0	6.0

Comments from questionnaire

NED

1	Would like to see this Committee complimented by a strategic discussion about talent and the performance/potential of key executives.
2	The NomCo has not really had to work in 'anger', so its difficult to judge its effectiveness
3	Not a year for much NomCom activity
4	Not sure whether there is a separate Nominations Committee. If there is I don't believe it has met this year therefore no ratings given
5	I haven't felt able to comment on this because I think Nominations Committee has operated rather informally – see my comments above on the appointment of non-execs

Remuneration Committee

The mean score for this section comprising seven items is 4.8 out of a possible 7.

- This section receives the lowest overall mean score.
- Although the leadership of the committee is positively assessed – with an improved score from 2009 – the resources and information provided to the committee are seen as inadequate (qs 75, 76) and this produces the lowest scores in the entire assessment.
- Comments echo these concerns and raise issues relating to terms of reference, management and scope

	<i>Question</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>Mean Board</i>	<i>Mean NEDs</i>	<i>Mean EDs</i>	<i>Mean Databank</i>
70	The Committee receives effective leadership.	-	-	-	-	4	3	2	5.8 (5.2)	5.9	5.5	5.7
71	The role, scope and authority of the Committee are clearly defined.	-	-	-	1	4	3	1	5.4 (6.0)	5.7	4.5	6.2
72	The composition of the Committee is appropriate with the right level of experience and expertise.	-	-	-	1	5	1	2	5.4 (5.1)	5.6	5.0	5.9
73	There are sufficient meetings of the Committee.	-	-	2	-	5	2	-	4.8 (6.3)	4.9	4.5	6.1
74	The Committee meetings are managed effectively.	-	1	-	-	5	2	1	5.1 (5.2)	5.0	5.5	5.7
75	The Committee is provided with adequate resources to perform its function effectively.	1	2	-	2	2	1	-	3.6 (5.4)	3.2	5.0	5.8
76	The information provided to the Committee is both timely and helpful	-	4	1	1	2	1	-	3.4	3.1	4.5	6.2

Comments from questionnaire

NED

2	Poor staff work and incomplete papers complicate the RemCo job. The rem consultant seems ok, but management is weak. It's also unclear how deep and in what areas RemCo needs to get involved beyond Exec Directors.
3	As with the ARC, RemCo could have fewer members, provided attendance is guaranteed. A step change is required in the operation of the Committee. This will start with new Terms of Reference.
4	There are too many committee meetings. Remuneration is politically sensitive but I have rarely known a company have as many rem committee meetings as we do. The quality of information coming from the HR function to the committee is of variable quality to put it politely.
5	RemCo is one part of the machinery which does not work at all well, mainly because it is very badly served by the HR Director, and despite having a very good chairman. This is an issue that needs to be sorted urgently.

ED

9	76. Not always
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Analysis of Board Responses to Part 2 of the Questionnaire: Board Priority Tasks

- There are substantial spreads in responses on several Board priority tasks
- Although improvement is desired across all areas, current and desired engagement levels are closest for modernisation of core activities and government relationship
- Greatest scope for improvement is in the area of innovation and new products and strategy for growth; and in customer focus
- EDs appear more satisfied with engagement levels on modernisation and differ significantly from NEDs on the need for greater customer focus (they want less). By contrast, they express a stronger desire for exposure to executive management

<i>Question</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>Mean Board</i>	<i>Mean NEDs</i>	<i>Mean EDs</i>
<u>Modernisation of Core Activities:</u>										
Current Engagement	-	-	-	-	3	3	4	6.1	5.9	6.7
Desired Engagement	-	-	-	-	1	3	6	6.5	6.4	6.7
<u>Innovation & New Products & Strategy for Growth:</u>										
Current Engagement	-	-	-	3	6	1	-	4.8	4.9	4.7
Desired Engagement	-	-	-	-	2	3	4	6.2	6.4	5.5
<u>Customer Focus:</u>										
Current Engagement	-	-	2	3	4	1	-	4.4	4.0	5.3
Desired Engagement	-	-	-	1	2	5	2	5.8	6.3	4.7
<u>Industrial Relations:</u>										
Current Engagement	-	-	1	3	4	2	-	4.7	4.7	4.7
Desired Engagement	-	-	-	1	3	3	3	5.8	5.9	5.7
<u>Exposure to Executive Management:</u>										
Current Engagement	-	-	2	2	3	2	1	4.8	5.0	4.3
Desired Engagement	-	-	-	1	2	6	1	5.7	5.7	5.7
<u>Government Relationship:</u>										
Current Engagement	-	-	-	2	5	1	2	5.3	5.1	5.7
Desired Engagement	-	-	-	1	4	3	2	5.6	5.6	5.7

Appendices

Appendix 1

Questionnaire results by rank order of means

	Question	Mean Board
24	Non-Executive Directors are sufficiently independent of executive management.	6.7
50	The roles of Chairman and Group Chief Executive are clearly differentiated	6.6
16	The Board operates to high standards of corporate governance	6.5
58	The role, scope and authority of the Audit and Risk Committee is clearly defined.	6.5
57	The Audit and Risk Committee receives effective leadership	6.4
49	The Board receives effective leadership	6.4
53	The Chairman and the Group Chief Executive have created a culture in which all Directors can participate fully	6.4
54	Board discussions are a free and open exchange of views	6.4
55	There is a constructive relationship between Non-Executive Directors and Executive Directors	6.3
60	There are sufficient meetings of the Audit and Risk Committee.	6.3
41	Non-committee members are appropriately informed about the business of Board committees.	6.2
11	Agenda items focus on relevant issues	6.2
40	The Board has appropriate access to external advice	6.2
61	The Audit and Risk Committee meetings are managed effectively	6.1
1	The role and scope of the Board's authority is clearly defined	6.1
51	Board meetings are managed efficiently	6.1
32	The Executive Directors are a balanced team of management expertise and experience.	6.0
62	The Audit and Risk Committee is provided with adequate resources to perform its function effectively	6.0
63	It is clear where responsibility for monitoring risk lies	6.0
65	The role, scope and authority of the Nomination Committee is clearly defined.	6.0
66	The composition of the Nomination Committee is appropriate with the right level of experience and expertise	6.0
3	The Directors' experience is utilised.	5.9
9	The agenda-setting process schedules issues in a timely fashion	5.9
42	The papers for each Board and Committee meeting are provided sufficiently in advance of the meeting	5.9
52	The Board operates constructively as a team	5.9
17	Non-Executive Directors are recruited according to corporate governance good practice	5.9
22	The recruitment criteria for Non-Executive Directors ensure a balanced Board.	5.9
68	The Nomination Committee meetings are managed effectively	5.9
18	Directors receive appropriate guidance in matters of corporate governance	5.8
31	The Executive Directors work well as an Executive Team	5.8
46	The Board contributes effectively to the Group's strategic direction	5.8
59	The composition of the Audit and Risk Committee is appropriate with the right level of experience and expertise	5.8
13	Board meetings are productive and achieve their objectives.	5.8
70	The Remuneration Committee receives effective leadership	5.8
21	Non-Executive Directors represent an appropriate mix of expertise and experience.	5.8
7	The length of meetings is adequate	5.7
12	The Board identifies issues for review on a regular basis	5.7
15	Sufficient meeting time is devoted to corporate performance	5.7
20	The Committee structure is sufficient	5.7
36	Additional information required is fully and promptly made available.	5.7
37	Presentations to the Board are of a high standard	5.7
38	Directors receive appropriate education on issues facing the Group	5.7
44	The Board has robust procedures for monitoring corporate performance (operational and financial).	5.7
48	The Board communicates effectively with the shareholder	5.7
14	Sufficient meeting time is devoted to strategic issues.	5.6
19	The balance of executive/non executive directors is appropriate	5.6
64	The Nomination Committee receives effective leadership	5.6

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6	The number of meetings is sufficient	5.5
30	The Executive Directors as a group are representative of the business	5.5
33	The Board has sufficient opportunity and information to evaluate the performance of the Executive Directors	5.5
34	The quality of information provided to the Board and its Committees is appropriate	5.5
71	The role, scope and authority of the Remuneration Committee is clearly defined.	5.4
72	The composition of the Remuneration Committee is appropriate with the right level of experience and expertise	5.4
67	There are sufficient meetings of the Nomination Committee	5.4
69	The Nomination Committee is provided with adequate resources to perform its function effectively	5.4
10	All Directors are able to influence the content of the agenda.	5.4
43	The Board has agreed appropriate and rigorous Group performance objectives	5.4
25	Non-Executive Directors have enough opportunities to meet without the Executive Directors	5.3
29	Non-Executive Directors are sufficiently flexible in their diaries to facilitate meetings	5.3
2	The Board keeps under review whether its role should be changed in any way.	5.3
45	The Board monitors business initiatives effectively	5.3
47	The Board is able to identify potential problems in the Group's performance.	5.3
23	Non-Executive Directors have appropriate knowledge of the Group and the issues it faces	5.3
8	The current Board committee structure is appropriate	5.2
35	The quantity of information provided to the Board and its Committees is appropriate	5.2
39	The induction process provides adequate information for new Directors to understand the Company and their role	5.2
74	The Remuneration Committee meetings are managed effectively	5.1
5	There are written defined expectations concerning Directors' responsibilities.	5.1
28	Non-Executive Directors are offered the opportunity to undertake additional training.	4.9
4	The Board reviews its composition regularly	4.8
56	There is sufficient consideration given to succession planning of Board members	4.8
27	Non-Executive Directors have adequate opportunity to meet with key executives below the Board.	4.8
73	There are sufficient meetings of the Remuneration Committee	4.8
26	Non-Executive Directors have adequate knowledge of key executives below the Board.	4.7
75	The Remuneration Committee is provided with adequate resources to perform its function effectively	3.6
76	The information provided to the Remuneration Committee is both timely and helpful	3.4

Appendix 2

Wider databank scores by rank order of means

	Question	Wider Data Mean Board
24	Non-Executive Directors are sufficiently independent of executive management.	6.4
50	The roles of Chairman and Group Chief Executive are clearly differentiated	6.4
58	The role, scope and authority of the Audit and Risk Committee is clearly defined.	6.3
60	There are sufficient meetings of the Audit and Risk Committee.	6.3
16	The Board operates to high standards of corporate governance	6.2
62	The Audit and Risk Committee is provided with adequate resources to perform its function effectively	6.2
71	The role, scope and authority of the Remuneration Committee is clearly defined.	6.2
76	The information provided to the Remuneration Committee is both timely and helpful	6.2
6	The number of meetings is sufficient	6.1
7	The length of meetings is adequate	6.1
36	Additional information required is fully and promptly made available.	6.1
49	The Board receives effective leadership	6.1
57	The Audit and Risk Committee receives effective leadership	6.1
61	The Audit and Risk Committee meetings are managed effectively	6.1
73	There are sufficient meetings of the Remuneration Committee	6.1
1	The role and scope of the Board's authority is clearly defined	6.0
8	The current Board committee structure is appropriate	6.0
17	Non-Executive Directors are recruited according to corporate governance good practice	6.0
20	The Committee structure is sufficient	6.0
30	The Executive Directors as a group are representative of the business	6.0
51	Board meetings are managed efficiently	6.0
53	The Chairman and the Group Chief Executive have created a culture in which all Directors can participate fully	6.0
54	Board discussions are a free and open exchange of views	6.0
55	There is a constructive relationship between Non-Executive Directors and Executive Directors	6.0
65	The role, scope and authority of the Nomination Committee is clearly defined.	6.0
69	The Nomination Committee is provided with adequate resources to perform its function effectively	6.0
15	Sufficient meeting time is devoted to corporate performance	5.9
34	The quality of information provided to the Board and its Committees is appropriate	5.9
35	The quantity of information provided to the Board and its Committees is appropriate	5.9
40	The Board has appropriate access to external advice	5.9
59	The composition of the Audit and Risk Committee is appropriate with the right level of experience and expertise	5.9
64	The Nomination Committee receives effective leadership	5.9
66	The composition of the Nomination Committee is appropriate with the right level of experience and expertise	5.9
67	There are sufficient meetings of the Nomination Committee	5.9
72	The composition of the Remuneration Committee is appropriate with the right level of experience and expertise	5.9
18	Directors receive appropriate guidance in matters of corporate governance	5.8
31	The Executive Directors work well as an Executive Team	5.8
32	The Executive Directors are a balanced team of management expertise and experience.	5.8
37	Presentations to the Board are of a high standard	5.8
52	The Board operates constructively as a team	5.8

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75	The Remuneration Committee is provided with adequate resources to perform its function effectively	5.8
9	The agenda-setting process schedules issues in a timely fashion	5.7
11	Agenda items focus on relevant issues	5.7
13	Board meetings are productive and achieve their objectives.	5.7
19	The balance of executive/non executive directors is appropriate	5.7
41	Non-committee members are appropriately informed about the business of Board committees.	5.7
44	The Board has robust procedures for monitoring corporate performance (operational and financial).	5.7
68	The Nomination Committee meetings are managed effectively	5.7
70	The Remuneration Committee receives effective leadership	5.7
74	The Remuneration Committee meetings are managed effectively	5.7
12	The Board identifies issues for review on a regular basis	5.6
21	Non-Executive Directors represent an appropriate mix of expertise and experience.	5.6
33	The Board has sufficient opportunity and information to evaluate the performance of the Executive Directors	5.6
43	The Board has agreed appropriate and rigorous Group performance objectives	5.6
46	The Board contributes effectively to the Group's strategic direction	5.6
3	The Directors' experience is utilised.	5.5
22	The recruitment criteria for Non-Executive Directors ensure a balanced Board.	5.5
23	Non-Executive Directors have appropriate knowledge of the Group and the issues it faces	5.5
25	Non-Executive Directors have enough opportunities to meet without the Executive Directors	5.5
42	The papers for each Board and Committee meeting are provided sufficiently in advance of the meeting	5.5
47	The Board is able to identify potential problems in the Group's performance.	5.5
14	Sufficient meeting time is devoted to strategic issues.	5.4
39	The induction process provides adequate information for new Directors to understand the Company and	5.4
10	All Directors are able to influence the content of the agenda.	5.3
38	Directors receive appropriate education on issues facing the Group	5.3
45	The Board monitors business initiatives effectively	5.3
48	The Board communicates effectively with the shareholder	5.3
2	The Board keeps under review whether its role should be changed in any way.	5.2
4	The Board reviews its composition regularly	5.2
5	There are written defined expectations concerning Directors' responsibilities.	5.1
28	Non-Executive Directors are offered the opportunity to undertake additional training.	5.1
56	There is sufficient consideration given to succession planning of Board members	5.0
27	Non-Executive Directors have adequate opportunity to meet with key executives below the Board.	4.9
26	Non-Executive Directors have adequate knowledge of key executives below the Board.	4.8
29	Non-Executive Directors are sufficiently flexible in their diaries to facilitate meetings	-
63	It is clear where responsibility for monitoring risk lies	-

Appendix 3

Questionnaire results by gap between Board data and wider databank means

	Question	Gap
41	Non-committee members are appropriately informed about the business of Board committees.	0.5
11	Agenda items focus on relevant issues	0.5
3	The Directors' experience is utilised.	0.4
38	Directors receive appropriate education on issues facing the Group	0.4
42	The papers for each Board and Committee meeting are provided sufficiently in advance of the meeting	0.4
48	The Board communicates effectively with the shareholder	0.4
53	The Chairman and the Group Chief Executive have created a culture in which all Directors can participate fully	0.4
54	Board discussions are a free and open exchange of views	0.4
22	The recruitment criteria for Non-Executive Directors ensure a balanced Board.	0.4
57	The Audit and Risk Committee receives effective leadership	0.3
49	The Board receives effective leadership	0.3
16	The Board operates to high standards of corporate governance	0.3
40	The Board has appropriate access to external advice	0.3
55	There is a constructive relationship between Non-Executive Directors and Executive Directors	0.3
24	Non-Executive Directors are sufficiently independent of executive management.	0.3
9	The agenda-setting process schedules issues in a timely fashion	0.2
32	The Executive Directors are a balanced team of management expertise and experience.	0.2
46	The Board contributes effectively to the Group's strategic direction	0.2
58	The role, scope and authority of the Audit and Risk Committee is clearly defined.	0.2
14	Sufficient meeting time is devoted to strategic issues.	0.2
50	The roles of Chairman and Group Chief Executive are clearly differentiated	0.2
68	The Nomination Committee meetings are managed effectively	0.2
21	Non-Executive Directors represent an appropriate mix of expertise and experience.	0.2
10	All Directors are able to influence the content of the agenda.	0.1
12	The Board identifies issues for review on a regular basis	0.1
52	The Board operates constructively as a team	0.1
1	The role and scope of the Board's authority is clearly defined	0.1
2	The Board keeps under review whether its role should be changed in any way.	0.1
51	Board meetings are managed efficiently	0.1
66	The composition of the Nomination Committee is appropriate with the right level of experience and expertise	0.1
13	Board meetings are productive and achieve their objectives.	0.1
70	The Remuneration Committee receives effective leadership	0.1
61	The Audit and Risk Committee meetings are managed effectively	0.0
5	There are written defined expectations concerning Directors' responsibilities.	0.0
18	Directors receive appropriate guidance in matters of corporate governance	0.0
31	The Executive Directors work well as an Executive Team	0.0
44	The Board has robust procedures for monitoring corporate performance (operational and financial).	0.0
45	The Board monitors business initiatives effectively	0.0
60	There are sufficient meetings of the Audit and Risk Committee.	0.0
65	The role, scope and authority of the Nomination Committee is clearly defined.	0.0
33	The Board has sufficient opportunity and information to evaluate the performance of the Executive Directors	-0.1
37	Presentations to the Board are of a high standard	-0.1
19	The balance of executive/non executive directors is appropriate	-0.1

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59	The composition of the Audit and Risk Committee is appropriate with the right level of experience and expertise	-0.1
17	Non-Executive Directors are recruited according to corporate governance good practice	-0.1
27	Non-Executive Directors have adequate opportunity to meet with key executives below the Board.	-0.1
26	Non-Executive Directors have adequate knowledge of key executives below the Board.	-0.1
25	Non-Executive Directors have enough opportunities to meet without the Executive Directors	-0.2
43	The Board has agreed appropriate and rigorous Group performance objectives	-0.2
15	Sufficient meeting time is devoted to corporate performance	-0.2
39	The induction process provides adequate information for new Directors to understand the Company and their role	-0.2
47	The Board is able to identify potential problems in the Group's performance.	-0.2
56	There is sufficient consideration given to succession planning of Board members	-0.2
62	The Audit and Risk Committee is provided with adequate resources to perform its function effectively	-0.2
28	Non-Executive Directors are offered the opportunity to undertake additional training.	-0.2
23	Non-Executive Directors have appropriate knowledge of the Group and the issues it faces	-0.3
20	The Committee structure is sufficient	-0.3
64	The Nomination Committee receives effective leadership	-0.3
7	The length of meetings is adequate	-0.4
36	Additional information required is fully and promptly made available.	-0.4
4	The Board reviews its composition regularly	-0.4
34	The quality of information provided to the Board and its Committees is appropriate	-0.4
72	The composition of the Remuneration Committee is appropriate with the right level of experience and expertise	-0.5
67	There are sufficient meetings of the Nomination Committee	-0.5
30	The Executive Directors as a group are representative of the business	-0.5
69	The Nomination Committee is provided with adequate resources to perform its function effectively	-0.6
74	The Remuneration Committee meetings are managed effectively	-0.6
6	The number of meetings is sufficient	-0.6
35	The quantity of information provided to the Board and its Committees is appropriate	-0.7
71	The role, scope and authority of the Remuneration Committee is clearly defined.	-0.8
8	The current Board committee structure is appropriate	-0.8
73	There are sufficient meetings of the Remuneration Committee	-1.3
75	The Remuneration Committee is provided with adequate resources to perform its function effectively	-2.2
76	The information provided to the Remuneration Committee is both timely and helpful	-2.8
29	Non-Executive Directors are sufficiently flexible in their diaries to facilitate meetings	-
63	It is clear where responsibility for monitoring risk lies	-

Appendix 4

Table showing frequency of numbers rated per respondent

Rating	NED	NED	NED	NED	NED	NED	NED	ED	ED	ED
1	-	1	-	-	-	-	-	-	-	-
2	-	1	1	-	4	3	-	-	-	-
3	-	2	2	4	-	6	-	1	3	1
4	9	6	3	10	4	3	4	3	6	2
5	20	16	8	29	14	15	36	9	23	12
6	46	13	44	27	40	33	33	8	34	44
7	-	35	18	6	4	16	3	31	4	17

Appendix 5

Questionnaire results by gap between Royal Mail 2009 & 2012 Mean Scores

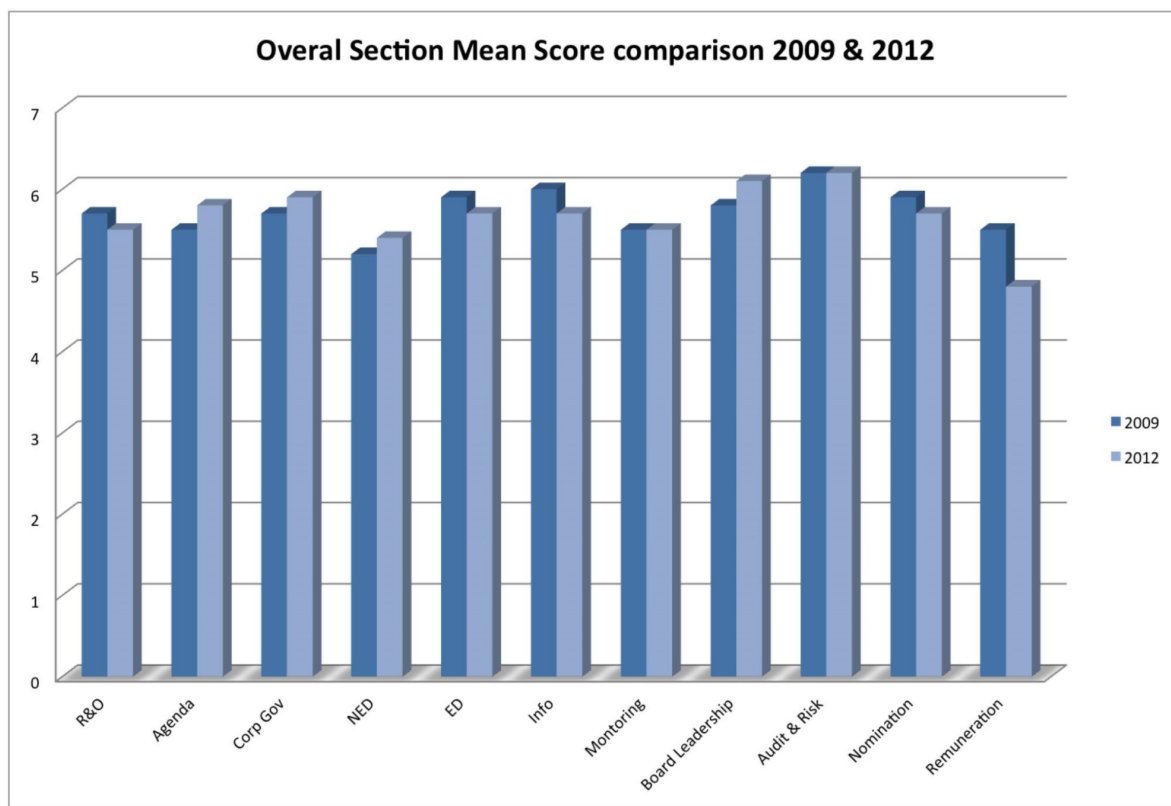
	Question	2012	2009	Gap
21	Non-Executive Directors represent an appropriate mix of expertise and experience.	5.8	4.2	1.6
22	The recruitment criteria for Non-Executive Directors ensure a balanced Board.	5.9	4.8	1.1
3	The Directors' experience is utilised.	5.9	5.1	0.8
54	Board discussions are a free and open exchange of views	6.4	5.6	0.8
14	Sufficient meeting time is devoted to strategic issues.	5.6	4.8	0.8
48	The Board communicates effectively with the shareholder	5.7	5.0	0.7
46	The Board contributes effectively to the Group's strategic direction	5.8	5.2	0.6
17	Non-Executive Directors are recruited according to corporate governance good practice	5.9	5.3	0.6
70	The Remuneration Committee receives effective leadership	5.8	5.2	0.6
55	There is a constructive relationship between Non-Executive Directors and Executive Directors	6.3	5.8	0.5
11	Agenda items focus on relevant issues	6.2	5.8	0.4
49	The Board receives effective leadership	6.4	6.0	0.4
53	The Chairman and the Group Chief Executive have created a culture in which all Directors can participate fully	6.4	6.0	0.4
66	The composition of the Nomination Committee is appropriate with the right level of experience and expertise	6.0	5.6	0.4
18	Directors receive appropriate guidance in matters of corporate governance	5.8	5.4	0.4
68	The Nomination Committee meetings are managed effectively	5.9	5.5	0.4
57	The Audit and Risk Committee receives effective leadership	6.4	6.1	0.3
72	The composition of the Remuneration Committee is appropriate with the right level of experience and expertise	5.4	5.1	0.3
52	The Board operates constructively as a team	5.9	5.6	0.3
13	Board meetings are productive and achieve their objectives.	5.8	5.5	0.3
24	Non-Executive Directors are sufficiently independent of executive management.	6.7	6.4	0.3
10	All Directors are able to influence the content of the agenda.	5.4	5.2	0.2
31	The Executive Directors work well as an Executive Team	5.8	5.6	0.2
32	The Executive Directors are a balanced team of management expertise and experience.	6.0	5.8	0.2
58	The role, scope and authority of the Audit and Risk Committee is clearly defined.	6.5	6.3	0.2
41	Non-committee members are appropriately informed about the business of Board committees.	6.2	6.1	0.1
9	The agenda-setting process schedules issues in a timely fashion	5.9	5.8	0.1
51	Board meetings are managed efficiently	6.1	6.0	0.1
61	The Audit and Risk Committee meetings are managed effectively	6.1	6.1	0.0
12	The Board identifies issues for review on a regular basis	5.7	5.7	0.0
15	Sufficient meeting time is devoted to corporate performance	5.7	5.7	0.0
19	The balance of executive/non executive directors is appropriate	5.6	5.6	0.0
20	The Committee structure is sufficient	5.7	5.7	0.0
42	The papers for each Board and Committee meeting are provided sufficiently in advance of the meeting	5.9	5.9	0.0
45	The Board monitors business initiatives effectively	5.3	5.3	0.0
60	There are sufficient meetings of the Audit and Risk Committee.	6.3	6.3	0.0
65	The role, scope and authority of the Nomination Committee is clearly defined.	6.0	6.0	0.0
23	Non-Executive Directors have appropriate knowledge of the Group and the issues it faces	5.3	5.3	0.0
25	Non-Executive Directors have enough opportunities to meet without the Executive Directors	5.3	5.4	-0.1
74	The Remuneration Committee meetings are managed effectively	5.1	5.2	-0.1
16	The Board operates to high standards of corporate governance	6.5	6.6	-0.1
1	The role and scope of the Board's authority is clearly defined	6.1	6.2	-0.1

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2	The Board keeps under review whether its role should be changed in any way.	5.3	5.4	-0.1
4	The Board reviews its composition regularly	4.8	4.9	-0.1
5	There are written defined expectations concerning Directors' responsibilities.	5.1	5.2	-0.1
56	There is sufficient consideration given to succession planning of Board members	4.8	4.9	-0.1
59	The composition of the Audit and Risk Committee is appropriate with the right level of experience and expertise	5.8	5.9	-0.1
26	Non-Executive Directors have adequate knowledge of key executives below the Board.	4.7	4.8	-0.1
36	Additional information required is fully and promptly made available.	5.7	5.9	-0.2
38	Directors receive appropriate education on issues facing the Group	5.7	5.9	-0.2
40	The Board has appropriate access to external advice	6.2	6.4	-0.2
44	The Board has robust procedures for monitoring corporate performance (operational and	5.7	5.9	-0.2
50	The roles of Chairman and Group Chief Executive are clearly differentiated	6.6	6.8	-0.2
37	Presentations to the Board are of a high standard	5.7	6.0	-0.3
27	Non-Executive Directors have adequate opportunity to meet with key executives below the	4.8	5.1	-0.3
69	The Nomination Committee is provided with adequate resources to perform its function	5.4	5.8	-0.4
35	The quantity of information provided to the Board and its Committees is appropriate	5.2	5.6	-0.4
33	The Board has sufficient opportunity and information to evaluate the performance of the Executive Directors	5.5	5.9	-0.4
47	The Board is able to identify potential problems in the Group's performance.	5.3	5.7	-0.4
62	The Audit and Risk Committee is provided with adequate resources to perform its function	6.0	6.4	-0.4
6	The number of meetings is sufficient	5.5	6.0	-0.5
34	The quality of information provided to the Board and its Committees is appropriate	5.5	6.0	-0.5
43	The Board has agreed appropriate and rigorous Group performance objectives	5.4	5.9	-0.5
28	Non-Executive Directors are offered the opportunity to undertake additional training.	4.9	5.4	-0.5
64	The Nomination Committee receives effective leadership	5.6	6.1	-0.5
71	The role, scope and authority of the Remuneration Committee is clearly defined.	5.4	6.0	-0.6
7	The length of meetings is adequate	5.7	6.3	-0.6
39	The induction process provides adequate information for new Directors to understand the Company and their role	5.2	5.9	-0.7
30	The Executive Directors as a group are representative of the business	5.5	6.3	-0.8
67	There are sufficient meetings of the Nomination Committee	5.4	6.3	-0.9
8	The current Board committee structure is appropriate	5.2	6.2	-1.0
73	There are sufficient meetings of the Remuneration Committee	4.8	6.3	-1.5
75	The Remuneration Committee is provided with adequate resources to perform its function	3.6	5.4	-1.8
29	Non-Executive Directors are sufficiently flexible in their diaries to facilitate meetings	5.3	NA	NA
63	It is clear where responsibility for monitoring risk lies	6.0	NA	NA
76	The information provided to the Remuneration Committee is both timely and helpful	3.4	NA	NA

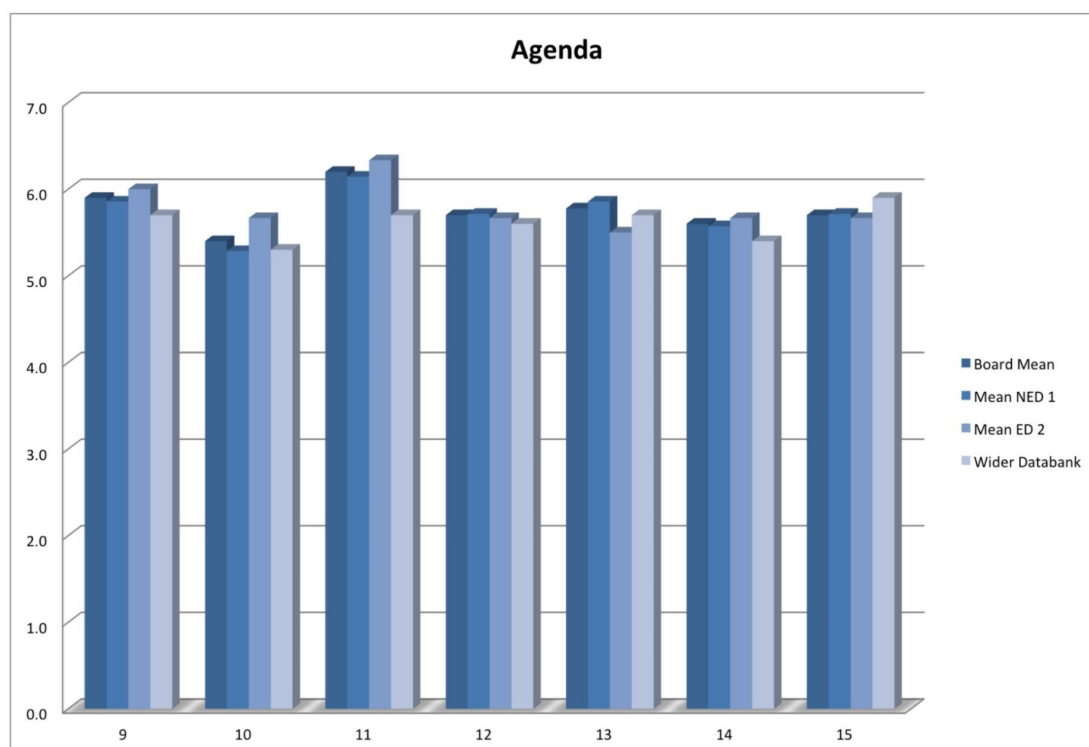
Appendix 6

Bar chart comparison for section Mean Score between Royal Mail 2009 & 2012

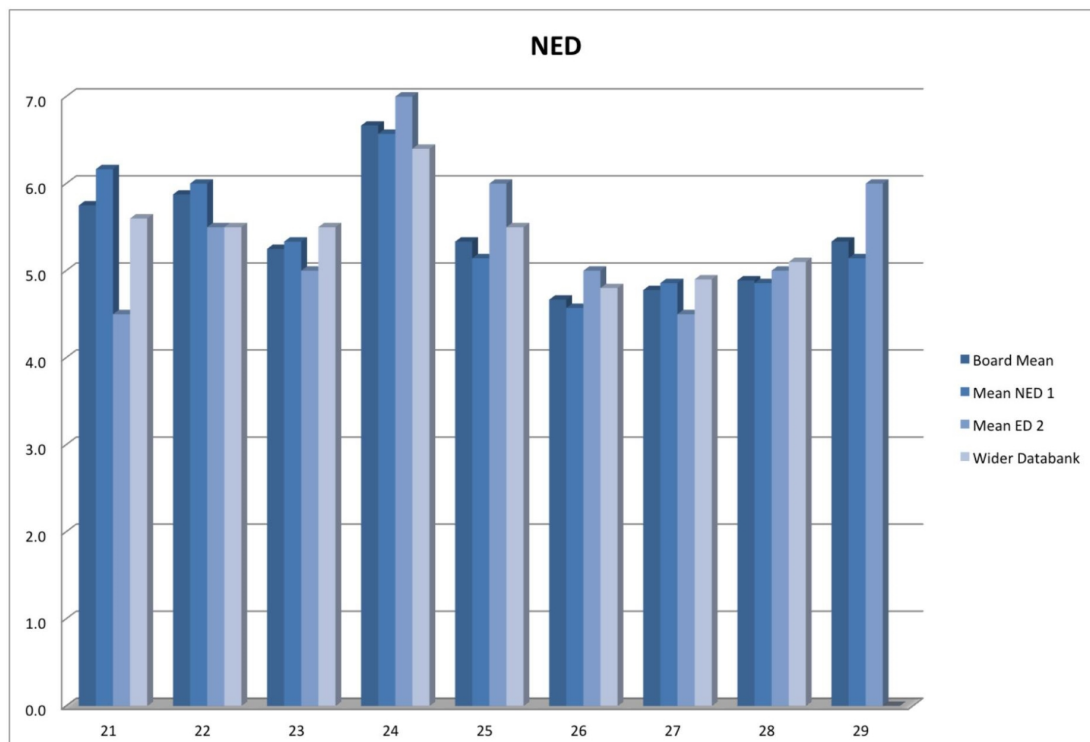
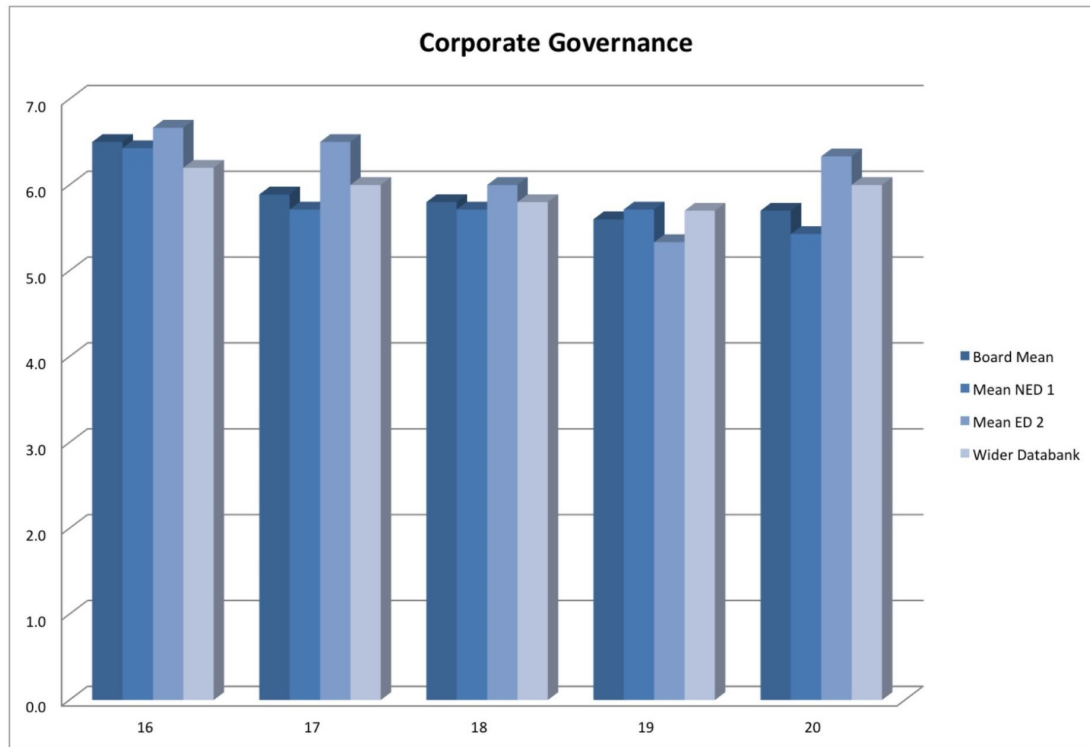


Appendix 7

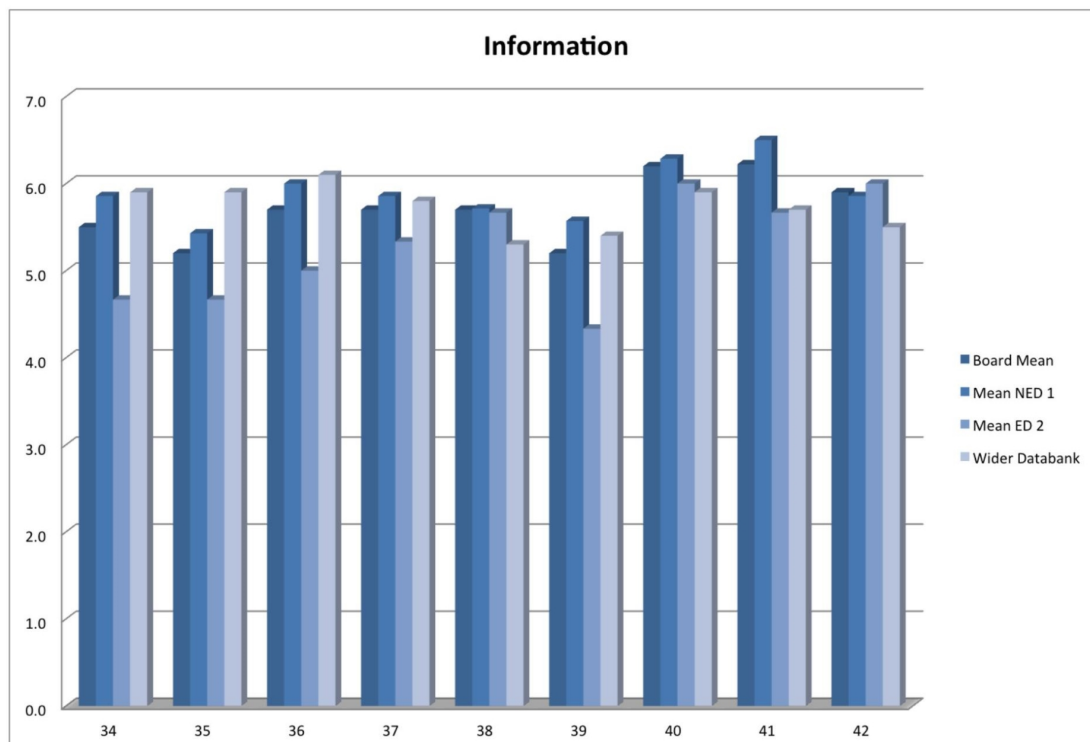
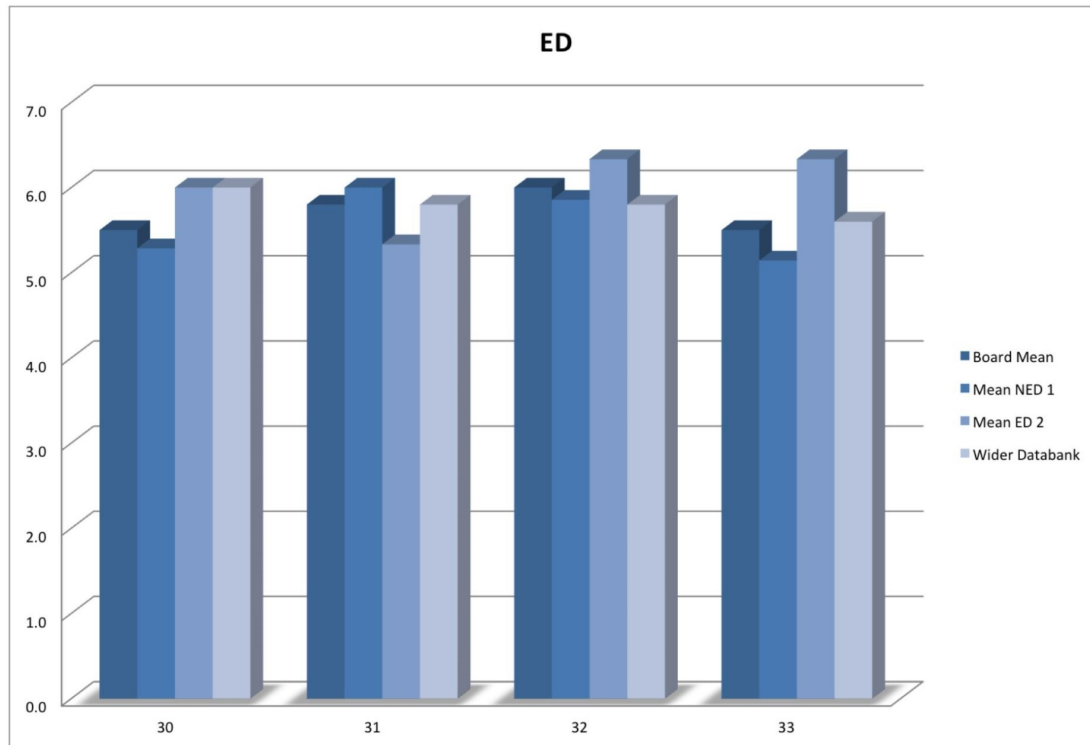
Bar chart comparison between mean scores of Board, Executive Directors, Non-Executive Directors and wider databank



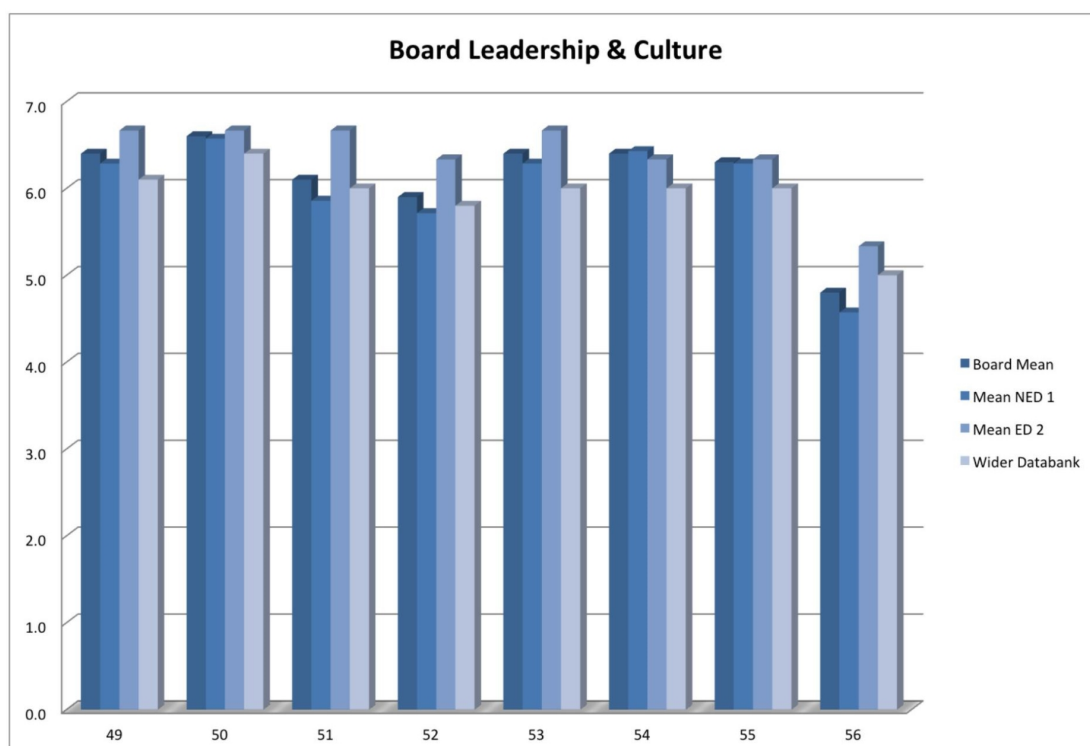
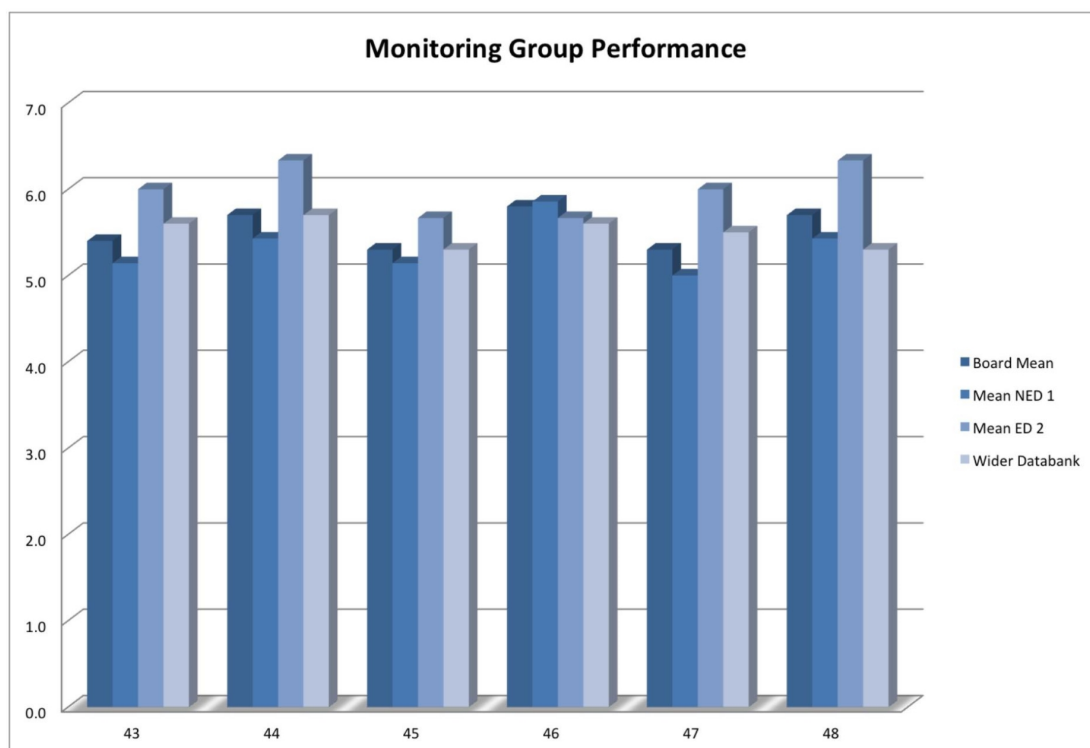
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