



Finsbury Dials
20 Finsbury Street
London
EC2Y 9AQ

Tel. **GRO**

PRIVATE AND CONFIDENTIAL

Ken McCall

GRO

2nd December 2015

Dear Ken,

Letter of appointment

Following the recommendation of the nomination committee, the board of directors (**Board**) of Post Office Limited (**Company**) is pleased to hear that you have accepted our offer to join the Board as a Senior Independent Director (SID).

This letter sets out the main terms of your appointment. If you are unhappy with any of the terms, or need any more information, please let me know.

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

- 1.1 Subject to the remaining provisions of this letter, your appointment shall be for an initial term of three years commencing on 1st January 2016 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. Following the initial term, the term may be extended by a further period of three years in accordance with paragraph 1.4 below, subject to the Board being satisfied that it is appropriate to make such an offer.
- 1.2 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.

- 1.3 Continuation of your appointment is contingent on your continued satisfactory performance and any relevant statutory provisions relating to removal of a director. If you are retired from office under the Articles, your appointment shall terminate automatically, with immediate effect and without compensation.
- 1.4 A SID is typically expected to serve two three-year terms. Any term renewal is subject to Board review. Notwithstanding any mutual expectation, there is no right to re-nomination by the Board, either annually or after any three year period.
- 1.5 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.
- 1.6 Notwithstanding paragraph 1.1 to paragraph 1.5, 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 Court 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.
- 1.7 On termination of your appointment, you shall, at the Company's request, resign from your office as SID of the Company.

- 1.8 If matters arise which cause you concern about your role, you should discuss these matters with the chairman or chief executive. 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 chief executive 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. Overall we anticipate that you will spend a minimum of 2 days a month on work for the Company after the induction phase referred to in paragraph 8. This will include attendance at eight scheduled Board meetings per year, one annual Board away day event a year (which may span over two days), at least one site visit a year, Board dinners, meetings forming part of the Board evaluation process and training meetings. 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 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 SID 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 the SID 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 the SID 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.
- 3.6 In your role as a 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) insist on receiving high-quality information sufficiently in advance of Board meetings;
- (h) take into account the views of shareholders and other stakeholders where appropriate;
- (i) make sufficient time available to discharge your responsibilities effectively;
- (j) exercise relevant powers under, and abide by, the Articles;
- (k) 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;
- (l) 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;
- (m) exercise your powers as a director in accordance with the Company's policies and procedures, internal control framework and the Bribery Act 2010; and
- (n) 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 In addition, in your role as the SID you should:
- (a) chair the meetings of the remuneration committee;
 - (b) act as a sounding board for the chairman and an intermediary for the other directors; and
 - (c) ensure that the performance of the chairman is evaluated as part of the wider Board evaluation, which should take place at least once a year;
- 3.9 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 £50,000 gross (current at the date of this letter), which shall be paid in equal instalments monthly in arrear 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. (current at the date of this letter) and for taking on chairmanship of the remuneration committee, to be paid through PAYE in equal instalments monthly in arrear after deduction of any taxes and other amounts that are required by law, and which shall be subject to an periodic review by the Board.
- 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 chairman 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 significant commitments you have outside your role in the Company. You must inform the chief executive 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.
- 6.3 The Board has determined that you are independent according to the provisions of the UK Corporate Governance Code.

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. INDUCTION

After the commencement of your appointment, the Company will provide a comprehensive, formal and tailored induction. We will arrange for site visits and meetings with senior and middle management. We may also arrange for representatives from the Special Shareholder the opportunity to meet you. You will be expected to make yourself available during your first year of appointment for not less than a further 10 days (in addition to the time commitment outlined paragraph 2.1) for the purposes of the induction. The company secretary will contact you with further details.

9. TRAINING

On an ongoing basis, and further to the annual evaluation process, the Company will 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.

10. REVIEW PROCESS

The performance of individual directors and the whole Board and its committees is evaluated annually. If, in the interim, there are any matters which cause you concern about your role you should discuss them with the chairman as soon as you can.

11. INSURANCE AND INDEMNITY

- 11.1 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). A copy of the policy document is available from the company secretary.

12. CHANGES TO PERSONAL DETAILS

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

13. 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.

14. 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.

15. 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.

16. DATA PROTECTION

16.1 By signing this letter you consent to the Company holding and processing data about you for legal, personnel, administrative and management purposes and in particular to the processing of any **sensitive personal data** (as defined in the Data Protection Act 1998) relating to you including, as appropriate:

- (a) information about your physical or mental health or condition in order to monitor sick leave and take decisions as to your fitness to perform your duties; or
- (b) your racial or ethnic origin or religious or similar beliefs in order to monitor compliance with equal opportunities legislation; or

(c) information relating to any criminal proceedings in which you have been involved for insurance purposes and in order to comply with legal requirements and obligations to third parties; or

- 16.2 You consent to the Company making such information available to any of its group companies, those who provide products or services to the Company (such as advisers and payroll administrators), regulatory authorities, potential or future employers, governmental or quasi-governmental organisations and potential purchasers of the Company or the business in which you work.
- 16.3 You also consent to the transfer of such information to the Company's or any group company's business contacts outside the European Economic Area in order to further their business interests even where the country or territory in question does not maintain adequate data protection standards.
- 16.4 You shall comply with the Company's data protection policy, a copy of which is available from the company secretary.
- 16.5 The Company may change its data protection policy at any time and will notify you in writing of any changes.

17. THIRD PARTY RIGHTS

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

18. ENTIRE AGREEMENT

- 18.1 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.
- 18.2 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.

19. 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).

20. 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

GRO

Alwen Lyons (Company Secretary)
For and on behalf of Post Office Limited

I agree to the above terms of my appointment as the senior independent director of Post Office Limited as set out in this letter.

Signed on *30 December* 2015

GRO

Ken McCall