

**POST OFFICE LIMITED
NOMINATIONS COMMITTEE
TERMS OF REFERENCE**

PURPOSE

The purpose of the Nominations Committee is to recommend the appointment of individuals to the Board, to its sub-committees and to Executive Committee positions which report directly to the Chief Executive. The Committee will also consider and, if necessary, recommend to the Board any proposals to remove or replace individuals holding office as a Director or reporting directly to the Chief Executive. It is acknowledged that the actions of the Committee will be subject always to the Articles of Association of the Company, under which any proposal for the appointment or removal of a director of the Company requires the consent of the Shareholder.

A. COMPOSITION AND GOVERNANCE

1. The Nominations Committee is constituted as a sub-committee of the Board.
2. The Chairman and members of the Committee shall be appointed by the Board.
3. The Committee shall be made up of three members, including at least two independent non-executive directors.
4. The Chairman shall chair the Nominations Committee except when the Committee is considering succession to the Chairmanship; the Senior Independent Director shall chair any Nominations Committee dealing with the appointment of a successor Chairman.
5. In the absence of the Chairman of the Committee at any meeting, the Committee members present shall determine who shall chair the meeting.
6. Members of the Committee will normally serve for a period of three years. Their appointment may be renewed for a further three year period but no director shall serve as a member of the Nominations Committee for a period of more than six years.
7. Only members of the committee have the right to attend Committee meetings. The Chief Executive and the Group People Director (or the holder of any equivalent position) shall be informed of the date of each meeting and may be invited by the Committee Chairman to attend all or part of any meeting, as and when appropriate.
8. The Company Secretary shall not be a member of the Committee but shall act as Secretary to the Committee (or shall nominate an appropriate substitute) and shall keep minutes and records of each meeting and ensure regular reporting by the Committee to the full Board.
9. Minutes of each meeting will be circulated to all members of the Committee and, once agreed, to those members of the Board who have no personal interest in the matters discussed. Where a conflict of interest exists, the Company Secretary will provide sufficient information to the full Board to provide an understanding of the matter(s) considered.
10. If so requested by the Board or by the Shareholder, the Committee shall provide an annual report on its activities.
11. The Committee shall have access to sufficient executive time and resources in order to carry on its duties, including access to the Company Secretary and members of the HR team;

12. 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.
13. If there should be disagreement between the Nominations 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.
14. Members of the Committee shall conduct an annual review of the Committee's performance.

B. MEETINGS

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

C. DUTIES AND RESPONSIBILITIES

The main duties and responsibilities of the Committee are:

1. to keep under review the structure, size and composition of the board (taking account of the skills, experience, knowledge and diversity of its members), to ensure that the key roles of Chairman, Chief Executive, Chief Financial Officer and Senior Independent Director are filled and to recommend changes to the Board's composition as thought necessary.
2. to monitor the independence, and process for evaluation of, Board sub-committees and the skills and experience available within the Board, in order to recommend new appointments to committees, or the replacement of individuals on those committees, as required from time to time.
3. to review the results of the performance appraisal of executive directors and the results of any committee evaluation process which may relate to the composition of the Board, any of its sub-committees or the Executive Committee.
4. to lead the process for identifying and nominating candidates for appointment to the Board, including the formulation and approval of appropriate role descriptions and specifications which seek to attract a wide range of talent and promote diversity within the organisation.
5. in the case of the proposed appointment of a new Chairman, to work with the Shareholder to prepare a full specification which reflects accurately the personal qualities, skills and experience and time commitment needed by the Business.
6. to consider for each proposed appointment the respective merits of open advertising and the use of specialist advisers to facilitate the search for appropriately qualified candidates
7. to review the processes for the engagement of external search agents for senior appointments

8. to consider recommendations made by the Chief Executive on appointments to Executive Committee positions which report directly to the Chief Executive and to ensure that a fair, open and transparent process is followed in identifying and interviewing candidates for Executive Committee positions.
9. to ensure that the business puts in place plans for development of potential and succession plans for key roles on the Board and on the Executive Committee, 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.
10. to review, on behalf of the Board, the progress of building talent and diversity within the Post Office and to report to the Board progress against the targets set for performance measurement in this area.
11. to 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 and the precepts set by the Nolan Committee on Standards in Public Life.
12. to work 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.
13. to ensure that consent is sought from The Secretary of State for Business, Innovation and Skills for the appointment to the Board of any new director on terms agreed between the Nominations Committee and the Remuneration Committee.
14. to respond to any queries from the Shareholder on the processes for selection of candidates or the contractual terms proposed for any senior appointment.
15. to consider on behalf of the Board any matters relating to the continuation in office of any director or direct report of the Chief Executive, including the suspension or termination of any contract of employment or contract for services, subject to the provisions of the law.
16. to undertake any other oversight function delegated to the Committee by the full Board.

D. ANNUAL REVIEW

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