

**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 of Post Office Limited (the Company); to its sub-committees; to Group Executive positions which report directly to the Chief Executive; the Company Secretary; and to the Post Office Management Services Limited (POMS) Board. The Committee will also consider and, if necessary, recommend to the Board any proposals to remove or replace individuals holding office as a Director of the Company or POMS or reporting directly to the Chief Executive and the Company Secretary. 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.
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 WITH REGARD TO THE COMPANY

The main duties and responsibilities of the Committee with regard to the Company 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 Board 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 time required from non-executive directors and whether non-executive directors are spending enough time to fulfil their duties, the composition of the Board, any of its sub-committees or the Group Executive.
4. to consider the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of knowledge, skills and experience required.
5. 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 and considering

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

6. to ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.
7. 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.
8. to review the processes for the engagement of external search agents for senior appointments
9. to consider recommendations made by the Chief Executive on appointments to Group Executive positions which report directly to the Chief Executive and the Company Secretary to ensure that a fair, open and transparent process is followed in identifying and interviewing candidates for Group Executive positions.
10. 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 Group Executive, 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.
11. 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.
12. 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 (the Code) and the precepts set by the Nolan Committee on Standards in Public Life.
13. 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.
14. 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.
15. to respond to any queries from the Shareholder on the processes for selection of candidates or the contractual terms proposed for any senior appointment.
16. 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 and the Company Secretary, including the suspension or termination of any contract of employment or contract for services, subject to the provisions of the law.
17. to undertake any other oversight function delegated to the Committee by the full Board.

D. DUTIES AND RESPONSIBILITIES WITH REGARD TO POMS

The main duties and responsibilities of the Committee with regard to POMS are:

1. to keep under review the structure, size and composition of the POMS board (taking account of the skills, experience, knowledge and diversity of its members), to ensure that the key roles are filled and to recommend changes to the POMS board composition as thought necessary.
2. to consider the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the POMS board in the light of knowledge, skills and experience required.
3. to lead the process for identifying and nominating candidates for appointment to the POMS board, including the formulation and approval of appropriate role descriptions and specifications and considering candidates from a wide range of backgrounds, on merit and against a range of objective criteria and with due regard for the benefits of diversity on the POMS board, including gender, and which seek to attract a wide range of talent and promote diversity within the organisation. Such deliberations should also assess whether appointees have enough time available to devote to the position.
4. to ensure that any proposed appointee to the POMS board discloses other business interests and any potential conflict of interest, in line with the recommendations of the Code and the precepts set by the Nolan Committee on Standards in Public Life.
5. 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.
6. to consider on behalf of the Board any matters relating to the continuation in office of any POMS board director, including the suspension or termination of any contract of employment or contract for services, subject to the provisions of the law.

E. 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 on 25 March 2015.