POL00100557

Post Office Limited – Strictly Confidential

POST OFFICE LIMITED
(Company no. 2154540)
(the 'Company')

Extract from the minutes of a Board meeting held on 26 February 2014
at 148 Old Street, London EC1V 9HQ

Present:

Alice Perkins	Chairman
Neil McCausland	Non-Executive Director
Tim Franklin	Non-Executive Director
Virginia Holmes	Non-Executive Director
Alasdair Marnoch	Non-Executive Director
Susannah Storey	Non-Executive Director
Paula Vennells	Chief Executive
Chris Day	Chief Financial Officer

In Attendance:

Alwen Lyons	Company Secretary
Richard Callard	Non-Executive Director designate, Shareholder Executive
Chris Aujard	General Counsel (items 14/17-14/19)
Belinda Crowe	Programme Director for Project Sparrow (items 14/17-14/19)
Mark Davies	Communications Director (items 14/17- 14/20)

POLB 14/17 **REVIEW OF THE CURRENT PROSECUTION POLICY**

(a) Chris Aujard, General Counsel; Mark Davies, Communications Director; and Belinda Crowe, Programme Director for Project Sparrow joined the meeting.

(b) The Board received a report reviewing the Company's current prosecution policy, which had been discussed at the Audit, Risk and Compliance Committee ("ARC") on 11 February 2014 and by the Executive Committee ("ExCo") on 13 February 2014.

ACTION: Mark Davies

(c) The Board agreed that any communication regarding the changes in approach to prosecutions should be reactive. The Business needed to revise its key communication messages and be ready with them.

(d) The Board noted the summary of the discussions that had taken place at ARC and ExCo.

(e) The Board approved the implementation of Option B as a new Prosecutions Policy as detailed in Appendix A to the paper.

POLB 14/18 **INITIAL COMPLAINT REVIEW AND MEDIATION SCHEME**

(a) The Board received a report on the challenges facing the Initial Complaint Review and Mediation Scheme ("the Scheme"), and the steps being taken to address them.

(b) The CEO explained that the paper set out the worst case scenario as the Board had requested. The Board were concerned by the potential costs of the scheme and the level of possible compensation.

(c) The CEO agreed with the Board's concerns, and reported that she had met both Sir Anthony Hooper, the independent Chairman of the Working Group, and Second Sight, the forensic accountants working on the mediation scheme, to try and ascertain their opinions on how to progress matters more quickly.

(d) The CEO informed the Board that Second Sight had yet to produce their first written report for the mediation scheme, and that, until such time as a number of reports had been produced, which would be over the next four weeks, Sir Anthony Hooper felt unable to form a view on the best way to manage the scheme going forward. He strongly advised against taking any precipitous action at this stage. Sir Anthony offered to meet the Board at a later date if that would be helpful.

(e) The Board discussed the mediation scheme and possible support for Second Sight to enable a more efficient process.

ACTION: Chris Aujard

(f) It was noted that, in respect of each individual application, the project team were taking extensive advice about the Post Office's potential legal exposure. However, it was acknowledged that, in light of the facts now available, and the projected level of legal claims and costs, it would be sensible to commission more generic legal advice on the overall level of legal and financial exposure (taking account of the possibility of class actions). This advice should consider the steps that could be taken to mitigate any exposure including considerations of alternative structures that might be available to deal with the mediation cases. Such advice should have regard to alternative dispute resolution mechanisms, such as the Financial Ombudsman Service.

ACTION: Chris Aujard/ CFO

(g) The Board asked for an update to be circulated on the position with the Business' insurance underwriters and asked the Business to revisit the legal advice on insurance to ensure it was robust and that the correct disclosures had been made. The Board requested that all future documentation consider potential insurance claims and disclosure.

(h) The Board thanked the team for its candid report and noted the report on the Scheme.

POLB 14/19 **BRANCH SUPPORT PROGRAMME**

(a) The Board received and noted the report on the Branch Support Programme.

(b) Chris Aujard and Belinda Crowe left the meeting.

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