

Post Office Limited – Strictly Confidential

POLB 13(5th)
POLB 13/30-13/46

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

Minutes of a Board meeting held on 21 May 2013
at 148 Old Street, London EC1V 9HQ

Present:

Alice Perkins	Chairman	
Neil McCausland	Senior Independent Director	
Tim Franklin	Non-Executive Director	
Virginia Holmes	Non-Executive Director	
Alasdair Marnoch	Non-Executive Director	(items 13/30-13/37)
Susannah Storey	Non-Executive Director	(items 13/30-13/37)
Paula Vennells	Chief Executive Officer	(all items excluding 13/36-13/37)
Chris Day	Chief Financial Officer	(all items excluding 13/36-13/37)

In Attendance:

Alwen Lyons	Company Secretary	
Mark Davies	Communications Director	(item 13/31-13/32)
Sue Barton	Strategy Director	(item 13/31-13/35)
Kevin Gilliland	Network and Sales Director	(item 13/33-13/34)
Martin Moran	Commercial Director	(item 13/38)
Kevin Seller	Head of Government Services	(item 13/38)

POLB 13/30

INTRODUCTION

- (a) A quorum being present, the Chairman opened the meeting.
- (b) The CEO updated the Board on the recent challenging NFSP conference at which she and the Minister had spoken and taken questions. She explained that it had been helpful to attend as the specific debate around the network model had challenged the business to produce different solutions for the 'small rural' and 'urban deprived' branches. The reception had also made it clear that the business needs to find a more constructive way to engage individual subpostmasters.

ACTION: Sue Barton

POLB 13/31

GOVERNMENT RESPONSE TO THE FUNDING AND STRATEGY PLAN

- (a) The Board agreed the strategy and funding update and the proposed delegated authorities for the Board's Funding Sub-Committee. It was agreed that delegated authority levels for mutualisation should be added.

ACTION: Sue Barton

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ACTION: CEO

- (b) The Board valued the weekly updates sent by the CEO and asked for them to continue.

POLB 13/32

GOVERNMENT/STAKEHOLDER INTERACTION PLAN 2013/14

**ACTION:
Mark Davies**

- (a) Mark Davies, Communications Director, presented a paper to the Board setting out the proposed approach for engaging with stakeholders around Post Office Limited's strategy for 2013-2020. The Chairman thanked Mark not only for the excellent media coverage for the new Current Account and the network transformation programme but also for managing the difficult messages around the current industrial action. Mark described it as a team effort and said that he would pass on the Board's thanks.

**ACTION:
Mark Davies**

- (b) The Board asked for a simple crib sheet of 4 or 5 communication points.
The Chairman asked Mark Davies to ensure that any statements were checked to ensure that they were future proof.

- (c) The Board endorsed the approach to stakeholder engagement.

POLB 13/33

NFSP & TRADE ASSOCIATION

**ACTION: Kevin
Gilliland**

- (a) The Board received a verbal update from Kevin Gilliland, Network and Sales Director, on the current relationship with the NFSP.
- (b) The Board discussed the advantages of direct engagement with individual subpostmasters and the CEO explained that the business would be introducing a subpostmaster engagement satisfaction measure this year. The Network and Sales Director was asked to present the detail to the Board when it was available with the timeline for introduction included in the mutual ways of working session at the Board awayday.

ACTION: Sue Barton

- (c) The CEO reported her recent positive experience of trade associations and her view that they could have a positive and challenging effect on the business. It was agreed that the proposal of a trade association would be included in the mutualisation options which would be presented to the Board at their awayday.

POLB 13/34

UPDATE ON CWU AND INDUSTRIAL ACTION

- (a) Kevin Gilliland, Network and Sales Director, updated the Board on the current situation in respect of the Crown Transformation Programme and the current industrial action.

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- (b) The Board acknowledged the sensitive nature of the current situation and agreed that it was at a finely balanced stage. They endorsed the strategy of maintaining a firm and consistent position with the CWU on the key points regarding consolidated pay, franchising and the need to make any pay deal conditional on co-operation in delivering transformation to the Crown Network.
- (c) The Board supported the view that face to face communication was the most effective way to get the business' messages across and increasing the 'super-briefers' role in the communication.
- (d) The Board also endorsed a controlled and strategic approach to sharing information with the CWU, and not supplying individual office P&L accounts whilst the dispute continues.

The Board endorsed proceeding with the practical next steps outlined in the Crown Network – Transformation Programme and Industrial Relations Paper.

POLB 13/35

ANNUAL REPORT AND ACCOUNTS/RESULTS OF EXTERNAL AUDIT

- (a) The Board received the Annual Report and Financial Statements for the 2012-13 financial year and ancillary documents. Alasdair Marnoch, Chairman of the Audit, Risk and Compliance Committee, reported very positive feedback from the auditors who were complimentary about the controls in place and management capability.
- (b) With due regard to their individual duties and liabilities, the Board:
 - Approved the approach to Going Concern and agreed the Going Concern status for Post Office Limited at the full year;
 - Agreed that it was appropriate for the Directors of Post Office Limited to make the undertakings and statements in the financial statements;
 - Confirmed that, as individual directors, so far as they were aware, there was no relevant audit information of which the auditor was unaware and that each director had taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditor was aware of that information;
 - Approved the financial statements;
 - Delegated authority for reviewing final amendments and completing the Annual Report and Financial Statements on behalf of Post Office Limited to a Sub-Committee, the quorum for which to comprise any three of Alice Perkins,

ACTION: Mark Davies

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Paula Vennells, Chris Day and Alasdair Marnoch. The Board asked that a final paper copy of the full report be circulated to the Board before completion, the Board agreed to review within 24 hours;

- Authorised Alwen Lyons to sign the Directors' Report and Chris Day and Paula Vennells (or, in either's absence, Alice Perkins) to sign the balance sheet, each acting on behalf of the Board; and
- Approved the Letter of Representation to the auditor and authorise Paula Vennells or Chris Day to sign and issue it on behalf of the Board.

The Board agreed the process and timeline for production of the Report & Accounts as set out in the papers:

(c)

- A copy would be sent to BIS on the 21st May
- A copy to the designers on the 22nd May
- Sign off by sub-committee and the Chairman by 24th May
- Revised version circulated to the Board approx. 10th June (paper copy)
- Response by 11th June
- Report published 3rd July

The CEO and CFO left the Meeting

POLB 13/36

**BONUS PAYMENTS FOR THE YEAR 2012/13
(RECOMMENDATION FROM REMUNERATION COMMITTEE)**

- (a) Neil McCausland, Chairman of the Remuneration Committee informed the Board of the outturn of the 2012/2013 scorecard measures for the Short Term Incentive Plan (STIP) and the Long Term Incentive Plan (LTIP).
- (b) The Board noted the outturn of the STIP against the scorecard targets and approved the recommendation of the Remuneration Committee for the STIP payments for the CEO and CFO.
- (c) The Board noted the outturn of the LTIP against the performance conditions and approved the recommendation for the LTIP payment for the CEO.

**ACTION: Company
Secretary**

- (d) The Board asked the Company Secretary to seek consent for these payments from the Shareholder Executive as required by the Company's Articles of Association.

POLB 13/37

**LONG TERM INCENTIVE PLAN (LTIP) AND SHORT TERM
INCENTIVE PLAN (STIP) BONUS SCORECARD MEASURES**

- (a) Neil McCausland, Chairman of the Remuneration Committee, presented the Board with the Scorecard measures for 2013/2014 for the Short Term Incentive Plan (STIP). He recommended the

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adoption of a new STIP design for the Chief Financial Officer (CFO) for 2013/2014, to align it with the design of that of the Chief Executive Officer (CEO), albeit with a lower potential.

- (b) He also informed the Board of the Long Term Incentive Plan (LTIP) performance conditions for the award dated April 2013. He brought to the Board's attention the fact that the framework of the STIP and LTIP design and measures for the CEO and CFO required Special Shareholder approval which would now be sought.
- (c) The Board discussed the recommendations and noted that the performance measures had hardened with the threshold collar tightening towards the target and the stretch cap becoming more stretching. They discussed the likely outturn and which was thought to be between target and stretch.
- (d) They were assured that these bonus scorecard measures would be replicated down through the ExCo and throughout the business.
- (e) The Board:
 - Accepted the Remuneration Committee's recommendations for the Scorecard Measures subject to STIP for 2013/2014;
 - Approved the change to the STIP design for the CFO;
 - Accepted the Remuneration Committee's recommendation for the LTIP performance conditions for the award dated April 2013; and
 - Noted that the framework for the STIP and LTIP design and measures for the CEO and CFO require Special Shareholder approval.

Sarah Storey and Alasdair Marnoch left the meeting.

Paula Vennells and Chris Day rejoined the meeting.

POLB 13/38

FRONT OFFICE OF GOVERNMENT PROGRAMME (FOOG)

- (a) Martin Moran, Commercial Director, updated the Board on the current position of the Front Office for Government (FOoG) Business and the revised FOoG strategy.
- (b) The Board supported the scaling back to focus on real prospects but emphasised the need remain alert to wider opportunities especially if they could be positioned as helping government departments during the current funding round.
- (c) Kevin Seller, Head of Government Services explained that the Government could make better use of the DVLA framework contract and he suggested updating the stakeholder plan to that effect. This would then be shared with the Chairman and CEO to agree how the Board could support the stakeholder engagement.

**ACTION: Kevin
Seller**

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- (d) The Board noted the revised income forecasts and progress to date and the changes in the FOoG strategy.

POLB 13/39

MINUTES OF PREVIOUS BOARD MEETINGS

- (a) The minutes of the Board meeting held on 20 March 2013 were approved for signature by the Chairman.
- (b) The minutes of the Board meeting held on 9 April 2013 were approved for signature by the Chairman.

POLB 13/40

COMMITTEE MEETING MINUTES FOR NOTING

- (a) The Board noted the minutes of the Audit, Risk and Compliance Committee meeting held on 13 February 2013.
- (b) The Board also noted the minutes of the Nominations Committee meeting held on 5 February 2013.
- (c) The Board noted the minutes of the Pensions Committee meetings held on 4 March and 8 April 2013.
- (d) The Board also noted the minutes of the Remuneration Committee meeting held on 13 March 2013.
- (e) It was noted that the minutes of each of the above Committee meetings, provided for information, had been formally approved by the relevant Committee.

POLB 13/41

MATTERS ARISING STATUS REPORT

- (a) The Status Report, showing matters outstanding from previous Board meetings, was noted.

POLB 13/42

CHIEF EXECUTIVE'S REPORT

- (a) The Board noted the Chief Executive's report and discussed the following specific items:
- (b) Parcels Tariff
The new Parcel prices were already affecting the sales in branch and the Mails team are discussing this with RMG to try to negotiate a price discount for drop and go small business customers. The Chairman also reported that this had been a topic at her meeting with Donald Brydon, RMG Chairman, which had been very positive.
- (c) Current Account
The CEO reported a successful first week with the number of accounts opened ahead of target.

**ACTION: Nick
Kennett**

The Board asked for a note explaining the success criteria on which the pilot will be evaluated. They also asked if they could have the opportunity to open their own accounts.

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**ACTION: Susan
Crichton**

- (d) Horizon
The Board asked for a note to update on the Horizon position with the Second Sight review

POLB 13/43

ITEMS FOR NOTING

- (a) The Board noted the update on various Financial Services matters, including Bank of Ireland (UK) plc capital & liquidity.
- (b) The Board noted the Health and Safety report.
- (c) The Board noted the Significant Litigation report.
- (d) The Board noted the Report on Sealings and resolved that the affixing of the Common Seal of the Company to the documents set out against items numbered 865 to 1039 inclusive in the seal register was hereby confirmed.

POLB 13/44

ANY OTHER BUSINESS

Financial Update

- (a) The CFO reported that period 1 reports showed a positive EBIT variance after adjustments mainly driven by lower staff and agent costs. The one off project costs were 25% above target and he assured the Board that he would monitor these closely over the following period.
- (b) The next full financial update would be available at the July Board with PIR and benefits realisation work reporting to the ARC on the 5th June 2013

POLB 13/45

DATE OF NEXT MEETING

The Board away day would take place on the 18th & 19th June 2013.

The next full Board would take place on the 16th July 2013.

POLB13/46

CLOSE

There being no further business the meeting was declared closed