

In Strictest Confidence

POLB(08)1st
POLB 08/01 – POLB08/15

Post Office Limited

(company no. 2154540)

Minutes of the meeting of the Board
held at 80-86 Old Street, London
on January 21st 2008

Present:

Alan Cook
Peter Corbett
Ric Francis
David Glynn
Gary Hockey-Morley
Deborah Moore
Paula Vennells
Sue Whalley

Managing Director, Post Office Limited
Finance Director
Operations Director
Sales Director
Marketing Director
P&OD Director
Network Director
Strategy Director

In attendance:

Neil Owen
Clare Wardle

Notes
Head of Post Office Limited Legal Services

Apologies

Allan Leighton

Chairman, Royal Mail Holdings plc

POLB08/01

PREVIOUS MINUTES

- (a) The Board approved the minutes of the previous meetings and noted the Investment Committee minutes of 19th December.

POLB08/02

STATUS REPORT POLB(08)01

- (a) The Board noted the report which showed all actions from the previous meeting were completed or in hand. The Board also noted that:
- (b) POLB07/59(d): the customer advocacy score was calculated from 1000 interviews over a 3 month period. A movement of the score of 4.5% was required for the result to be considered statistically significant, and therefore the score of 45% against a target of 47% would be considered 'amber' rather than 'red';
- (c) POLB07/59(f): the mails segregation numbers had been circulated although it had discovered that regionally branches were sent different information and this was being investigated;
- (d) POLB07/60(d): Alan Cook reported that talks continued

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with Bank of Ireland and mutual understanding was slowly being reached over Travel Insurance in anticipation of Postbank.

POLB08/03

POSTBANK UPDATE

(a)

(b)

(c)

(d)

(d)

Irrelevant

POLB08/04

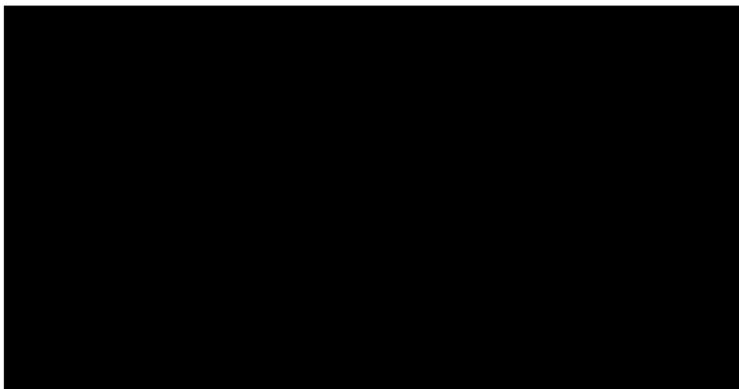
**JUDICIAL REVIEW OF NETWORK CHANGE
DECISIONS AND THE DISABILITY EQUALITY DUTY
FOR THE PUBLIC AUTHORITIES POLB(08)02**

(a)

(b)

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(c)



(d) Post Office Ltd was committed to complying with the spirit of the Disability Discrimination Act 1995 and the Sex Discrimination Act 1975 (including as amended by the Equality Act 2006) even when it is not required so to comply. The Board appreciated that this commitment was currently actively recognised and effected throughout Post Office Ltd. Nonetheless, pursuant to this commitment, the Board considered it appropriate to formalise current practice. Accordingly, the Board agreed that any individuals taking any decision or exercising any other function on behalf of Post Office Ltd must be instructed to do so having due regard to the need:

- (i) to eliminate unlawful discrimination;
- (ii) to eliminate harassment of disabled persons that is related to their disabilities;
- (iii) to promote equality of opportunity between disabled persons and other persons;
- (iv) to take steps to take account of disabled persons' disabilities, even where that involves treating disabled persons more favourably than other persons;
- (v) to promote positive attitudes towards disabled persons; and
- (vi) to encourage participation by disabled persons in public life;
- (vii) to eliminate unlawful discrimination and harassment;
- (viii) to promote equality of opportunity between men and women;

(e) it was also agreed that appropriate steps should be taken to inform all such individuals of the Disability Equality Duty and the Equality Duty;

(f) it was further agreed that the documents and processes for the Network Change Programme would be reviewed to ensure that these reflected the actions and processes that were in place to implement the commitment in relation to the Disability Equality Duty and the Equality Duty.

ACTION:
Paula Vennells

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POLB08/05

(a)

(b)

(c)

ACTION:
Deborah Moore

(d)

(e)

Irrelevant

(f)

(g)

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ACTION:
Deborah Moore

POLB08/06

(a)

(b)

(c)

(d)

(e)

(f)

(g)

ACTION:
David Glynn
Sue Whalley

(h)

(i)

ACTION:
David Glynn

(j)

Irrelevant

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to ensure any negative impact on sales is reversed / Simon

ACTION:
Paula Vennells
Simon Whale

ACTION
Paul Vennells

ACTION:
Simon Whale

(k)

(l)

(m)

(n)

(o)

(p)

Irrelevant

POLB08/07

FINANCE FUNCTIONAL REPORT POLB(08)05

- (a) Peter Corbett circulated the period 9 performance pack and a budget summary. The following matters were highlighted to the Board:
- (b) the Company was on track to achieve a £30m loss, i.e. the stretch target. Tight cost control and management of the risks would continue to be essential to achieve this;
- (c) an Operating Profit budget was being put to the ET for approval on 17 January. This would meet the targets providing the activity and discretionary spends could be prioritised within a £36.5m cap. The budget and Operating Plan would be reviewed with the Group Chief Executive on 13 February;

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- (d) cancellation of the 'automation of First Rate Bureau Pre Order' has had some consequences for cost savings and loss reduction and resolution of P&BA backlogs;
- (e) the Board noted the period 9 performance pack.

POLB08/08

NETWORK FUNCTIONAL REPORT POLB(08)06

- (a) The Board noted the report and in particular that:

(b) **Irrelevant**

- (c) Income Migration: a number of BDM's would have significant branch closures in their areas over the next quarter. Their main activity was focused on delivering income migration plans. However this has been impacted by the lack of marketing support for a customer offer;
- (d) Network Change: there were now 27 area plans that were live and in various stages of the 25 week process. These 27 area plans involved 1418 activities, a mix of closures and outreaches;
- (e) Outlet Support: three recent cases where sub-postmasters have been held culpable for part of the losses from robberies had resulted in adverse media interest. The situation had been reviewed and it appeared the challenge was to handle the process better rather than change the rules. The risk of a more compassionate approach being adopted was that there would be an increase in instances of fraudulent activity.

POLB08/09

(a)

ACTION:
Gary Hockey-Morley

(b)

(c)

Irrelevant

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Irrelevant

POLB08/10

SALES REPORT POLB(08)08

- (a) Total POL income at end P9 was £706.6m YTD, which was £3.13m or less than 1% below target. Focus product income was £83.47m YTD, achieving 94% of target;
- (b) Credit Card performance for the network remained well above target (14%), but overall performance at POL level is only at 79% due to the failure of direct performance to achieve target levels. This was due to the decision at POFS Board not to maintain investment in Direct sales of credit cards due to increasing cost per acquisition and adverse impact P&L performance. Crown performance continued to support network numbers, and overall the network was forecasting to achieve full year target. There were some issues concerning the levels of incomplete applications received, which were adversely affecting total sales. This was being jointly addressed by POL and POFS;
- (c) performance in Car Insurance remained just above target, although this was due to ongoing strong performance within Direct channels. Network sales remained below target (64%) and were not expected to recover until the re-introduction of the £50 cashback offer in February;
- (d) instant Saver sales had seen a significant drop off in the last couple of weeks, but this was likely to be primarily due to an expected downturn in savings activity in the key pre-Christmas period.

POLB08/11

(a)

(b)

(c)

(d)

Irrelevant

ACTION:
Alan Cook
Peter Corbett

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POLB08/12

(a)

(b)

(c)

Irrelevant

ACTION:
Deborah Moore

POLB08/13

STRATEGY REPORT POLB(08)11

- (a) The Board noted the report and in particular that:
- (b) Programme Manager: recruitment of a candidate of suitable calibre had been difficult. There were now 3 candidates identified for final review;
- (c) Government Review: the review had now begun and feedback would be provided by 28th March. POL's contribution to the USO would likely be examined, together with potential separation issues. It was agreed that Sue Whalley would be informed should any director be contacted by any party concerning the review.

ACTION:
ALL

POLB08/14

CLOSE

- (a) There being no further business, the meeting was closed.

POLB08/15

DATE OF NEXT MEETING

The next meeting of the Board was scheduled for 17 March 2008...