



**Briefing Pack**

**Governance**

## Contents:

1.	Practical information.....	2
2.	Post Office Limited Board Non-executive Members .....	6
3.	Post Office Limited Group Executive Members.....	8
4.	Post Office Legal Ownership Structure.....	10
5.	Post Office Board Governance Structure.....	10
6.	Matters Reserved to the Board .....	10
7.	Current Board Committee roles.....	16
7.1	Audit, Risk & Compliance .....	16
7.2	Remuneration Committee.....	16
7.3	Nominations Committee .....	17
8.	Directors' Roles .....	18
9.	Board Dates.....	19
10.	Board Future Agendas .....	21
11.	Glossary of Terms & Project Descriptors.....	23
12.	.....Articles of Association[ TOC \o "1-3" \h \z \u ]	

## 1. Practical Information

### 1.1 Contact details

#### Group Executive and Assistants

Executive	Telephone	Email	Assistant
Paula Vennells, Group CEO		GRO	GRO (EA): Tel - GRO / GRO Email - GRO
Al Cameron, Group CFOO	GRO	GRO	GRO (PA) Tel - GRO GRO Email - GRO
Mark Davies, Group Communications, Brand and Corporate Affairs Director	GRO	GRO	Lisa Jordan (PA) Tel: GRO Email - GRO
Rob Houghton, CIO	GRO	GRO	TBA
Martin Kirke, Group HR Director	GRO	GRO	GRO (HR Administrator) Tel - GRO Email - GRO
Jane MacLeod, Group Director, Legal, Governance and Risk (and Company Secretary)	GRO	GRO	GRO (EA) (also EA to the Chairman and Board Support) Tel - GRO Email - GRO
Debbie Smith,	GRO	GRO	GRO (PA) Tel - GRO GRO Email - GRO
Owen Woodley	GRO	GRO	GRO (PA) Tel - GRO GRO Email - GRO

#### Non-Executive Directors

Name	Telephone	Email	Executive Assistant / Board Support
Tim Parker, POL Chairman	GRO	GRO	Di Blanchard (EA) Tel - GRO Email - GRO
Ken McCall, SID	GRO	GRO	GRO
Carla Stent	GRO	GRO	
Tim Franklin	GRO	GRO	
Tom Cooper (Shareholder Representative)	GRO	GRO	

## Secretariat

Name	Boards/ Committees	Telephone	Email
Jane MacLeod, Group Director of Legal, Governance and Risk (and Company Secretary)	POL Nomination and Remuneration Committees	<b>GRO</b>	<b>GRO</b>
Veronica Branton, Head of Secretariat	POL Board	<b>GRO</b>	<b>GRO</b>
Sarah Koniarski	FRES/ FRESH ARC	<b>GRO</b>	<b>GRO</b>

### 1.2 Meeting times and setting up meetings

The POL Board meeting times vary according to the agenda but ARC meetings (typically five annually) are generally scheduled in the morning before the POL Board. The Board usually meets eight times annually, plus an annual strategy session which will normally start with an afternoon session, followed by a dinner and a full day the following day.

### 1.3 Dinners

The POL Board has a dinner the night before a meeting from time to time. On occasion additional meetings (either Committee or ad-hoc meetings) will be arranged around a Board meeting or the afternoon before the meeting.

### 1.4 Issuing and accessing papers

Secretariat loads papers onto the Board portal (currently BoardPad) a week before the meeting. Directors are then able to download the papers and once downloaded you won't need a WiFi connection to read them.

Secretariat will also email you to let you know when the papers have been loaded onto the portal.

### 1.5 Policies that apply to directors:

#### Anti-bribery and corruption



Anti Bribery & Corruption.pdf

#### Conflicts of interest



PO\_Conflict Interest Policy v 1.5 FINAL 29

## Gifts & Hospitality



Internal Gifts and  
Hospitality User Gui

### 1.6 Accommodation and Travelling Expenses

Reasonable travelling, hotel and other out of pocket expenses are reimbursed in full when directors incur expenditure for and on behalf of the Company. All reimbursements are made upon the submission of relevant receipts or other supporting documents. An expenses claim is in your reading room on BoardPad and expenses should be sent monthly to Diane Blanchard ([ HYPERLINK "mailto:[REDACTED]GRO" ]) )

The current business policy is attached. In general the policy is to economise wherever possible, avoiding first class travel by rail or air.

### 1.7 Hospitality

Directors may spend reasonable amounts on hospitality in the course of Company business. Expenditure will be reimbursed by the Company if it is incurred wholly, exclusively and necessarily in the performance of the director's duties, and supported by the relevant receipts. To date the Inland Revenue has not regarded hospitality of this nature to be a taxable benefit.

### 1.8 Telephone charges

The Company pays for the cost of calls made on official business, and rental charges for telephone and related equipment installed at directors' homes or in their cars for official purposes. The cost of any personal calls made using a Company mobile telephone shall be reimbursed to the Company.

### 1.9 Directors & Officers insurance

The Company has a Directors & Officers policy has in place that covers all past, present and future directors of the policyholder or any subsidiaries.

### 1.10 Information we need from you

Secretariat and HR will request the information required from you as part of the on-boarding process. We'll also liaise with you about induction sessions.

#### **In addition, we ask directors to:**

- review their register of interests where requested and advise Secretariat of any changes as they arise
- Submit any entries for the gifts and hospitality register in accordance with the policy. Non-Executive Directors should seek the advice of the Company Secretary before accepting any gifts or hospitality on behalf of Post Office.



## Post Office Limited Board non-executive members



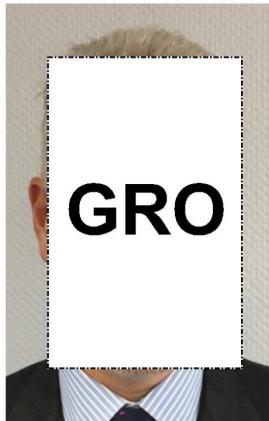
### Tim Parker, Chairman

**Joined the Board in October 2015**

**Chairman of the Nominations Committee and Member of the Remuneration Committee**

Tim has been CEO of several well-known companies: Kenwood, Clarks, Kwik-Fit, the AA and Samsonite. He has served as a Non-Executive Director on a number of FTSE 100 companies: Legal and General, Alliance Boots and Compass Group, and has been a Board member of the Audit Commission and the South West Regional Development Agency. He has been an Industrial Partner at CVC Capital Partners.

Tim is the Executive Chairman of Samsonite Corporation and Non-Executive Chairman of National Trust.



### Tom Cooper, Non-Executive Director

**Joined the Board in March 2018**

**Member of the Audit, Risk and Compliance Committee**

Tom Cooper was appointed a Director at UKGI and started in November 2017.

He was most recently Global Co-Chairman of M&A at Deutsche Bank where he has spent the last 8 years. Addition to working with clients on transactions, he chaired the Fairness Opinion Committee in EMEA and was a member of the committee responsible for approving franchise lending to Deutsche Bank's corporate clients in EMEA. Before joining Deutsche Bank, he worked at UBS Investment Bank for 21 years. He had various roles including working with UK clients, Nordic Coverage, Transport, Utilities and M&A. He finished his career at UBS as Head of European M&A. He started his career at KPMG.



### Tim Franklin, Non-Executive Director

**Joined the Board in September 2012**

**Member of the Audit, Risk and Compliance Committee and a Non-Executive Director of the Post Office Management Services Board**

Tim Franklin joined the Board of Post Office Limited as a Non-Executive Director in September 2012. Tim's executive career spans both building societies and banking. Prior to his board roles in the mutual sector, he was Director of Customer Programmes and Loyalty and Managing Director of Savings at Barclays. Tim's experience extends across the private and public sectors too. He is Senior Independent Director at HM Land Registry where he chairs the Audit Committee and was previously on the Boards of Reclaim Fund Limited, Mutual Plus Limited and the Link Cash Machines Network.

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### Ken McCall, Senior Independent Director

**Joined the Board in January 2016**

**Chairman of the Remuneration Committee and Member of both the Audit, Risk and Compliance and the Nominations Committees**

Ken's position with Europcar is Group Chief Operating Officer and Head of Global Operations. Formerly, he was Chief Executive of DHL Express UK and Ireland, instrumental in achieving a full business turnaround and transformation. Previous positions include Chief Executive of TNT Asia, Middle East, African and Indian sub-continents. Ken has extensive experience in mails, logistics and business transformation.

Ken is a Non-Executive Director of Supergroup plc.

**Carla Stent, Non-Executive Director**

**Joined the Board in January 2016**

**Chairman of the Audit, Risk and Compliance Committee**

Carla, a qualified Chartered Accountant, has held a number of senior positions in banking, private equity and in retail industries. She has had direct responsibility for corporate finance and post-merger integration, strategy, business operations, brand development and management and business transformation. Carla has worked at Board level for organisations including Barclays Bank plc and Virgin Group and was a Non- Executive Director of Christian Aid.

Carla is a Non-Executive Director of JPM Morgan Elect plc, Marex Spectron Limited and Power to Change Trust (which she also chairs).



## 2. Post Office Limited Group Executive



### Paula Vennells – Group Chief Executive

Paula has worked for Post Office Limited since 2007 in a number of senior roles including Managing Director. She became Chief Executive on 1 April 2012. Previously Paula spent five years with Whitbread plc, latterly as Group Commercial Director. She began her career with Unilever and L'Oréal and held directorships in sales and marketing with a number of major retailers including Dixons Stores Group and Argos. She is currently a Non-Executive Director and Trustee for Hymns Ancient and Modern Group, a Trustee of Go ON UK and a member of the Future High Street Forum.



### Alisdair Cameron – Chief Financial and Operating Officer

Alisdair became the Chief Financial Officer of Post Office in January 2015. He is also a Non-Executive Director on the Board of Oxford University Hospitals. From 2002 to 2014 Alisdair worked in a variety of roles for Centrica plc, a FTSE 100 company, including Director of Audit & Risk, Group Financial Controller, Finance Director of British Gas and Managing Director of British Gas Enterprise. Previously he was a partner with Arthur Andersen and served as a trustee of the e-Learning Foundation.



### Martin Kirke – Group HR Director

Martin was promoted to be HR Director for the Post Office in November 2016 having joined in March 2016 to head the engagement and Industrial Relations. He previously held HR and Change Director roles at Ericsson, Serco and BP where he was HR Global Operations Director for Europe, Middle East, Africa and Asia-Pacific. Martin has previously held non-executive director roles and has experience outside HR as a General Manager in Telecoms services.



### Debbie Smith – Chief Executive - Retail

Debbie was appointed as Chief Executive Retail in January 2018 and is responsible for supporting Post Offices to become simpler to run and creating and distributing market-leading products that customers want in mails, government services and payments. Having joined Boots in 1987, Debbie has held a wide range of business leadership roles in the UK, latterly as Managing Director of Boots in the Republic of Ireland, and brings a wealth of experience from the retail sector as we drive home the transformation of our business to ensure that it matters as much tomorrow as it does today.



### Rob Houghton – Group Chief Information Officer

Rob is an experienced Change and IT professional, and joined Post Office Ltd as Group CIO in May 2016. Prior to Post Office, Rob held a variety of IT leadership roles within Aviva globally. He lived and worked in the US for four years as North American CIO, was the Asia/ Europe CIO and latterly was the UK Life CIO managing the Friends Life/ Aviva integration and subsequent IT organisation. Rob's first role was as a software engineer in BT and then he joined consulting and outsourcing firm CSC, where he operated extensively across Middle East and Africa.



#### Mark Davies – Group Communications, Brand & Corporate Affairs Director

Mark joined Post Office Ltd as Communications Director in July 2012 after two years as Communications and Campaigns Director for the charity Rethink Mental Illness. Prior to that he spent five years as Special Adviser to the Rt Hon Jack Straw MP, working in the Foreign and Commonwealth Office, the House of Commons and the Ministry of Justice. He worked as Special Adviser to Baroness Amos, then Leader of the House of Lords, for 18 months in 2004-05. Mark began his career in journalism in 1990 and during 13 years as a reporter, writer and editor he worked for the Liverpool Echo, the Liverpool Daily Post, CNN and the BBC.



#### Owen Woodley – Chief Executive – Financial Services & Telecoms

Owen is Chief Executive Officer for the Financial Services & Telecoms strategic business unit. He joined the Post Office in 2016 and was Managing Director of Post Office Money.

Prior to this, Owen spent four years as Managing Director of the retail business at Lloyds Bank with responsibility for the branch network and the bank's significant customer base.

Owen had previously launched and run a new UK bank in the wake of the financial crisis, Shawbrook, which focused on commercial property and asset finance lending. He started his career at Barclays where he undertook a number of senior roles in the UK in retail and commercial banking. He also worked extensively in risk management and business development across sub-Saharan Africa. He was at different points responsible for the joint venture business in Barclaycard and was UK Regional Director for Barclays in the Midlands and London.

Owen has held a number of other board positions and currently sits on the Board of Governors at Nottingham Trent University. He is also the Chair of the Trustee Board at the Drive Forward Foundation, a Charity providing support to care leavers.

[ [HYPERLINK "https://www.linkedin.com/in/owen-woodley-4b226124/"](https://www.linkedin.com/in/owen-woodley-4b226124/) ]



#### Jane MacLeod - General Counsel and Company Secretary

Jane MacLeod joined the Post Office in January 2015 as General Counsel and is a member of the Post Office Group Executive.

Educated at the Australian National University, Jane qualified as a solicitor in 1985 and has subsequently gained significant experience both in private practice and in-house in a variety of roles, most recently as General Counsel with Phoenix Group Holdings where she was a member of Group Executive Committee with responsibility for the Legal and Corporate Secretariat functions.

Jane's background is in corporate finance particularly in relation to financial services. Her responsibilities at the Post Office now include Legal, Governance, Risk & Internal Audit, and Information Security.

### **3. Post Office Legal Ownership Structure**

#### **Legal Ownership and Structure**

The shares in Post Office Limited are held by the Secretary of State for Business, Energy and Industrial Strategy (SoS BEIS). In addition, SoS BEIS, holds a special share in Post Office Limited and the rights attached to that special share are enshrined within Post Office Limited Articles of Association. SoS BEIS, through UK Government Investments Limited (UKGI), has no day to day involvement in the operations of Post Office Limited or in the management of its branch network and staff. However, UKGI has the right to appoint non-executive directors to the Board. Tom Cooper is the current representative of UKGI representative and was appointed by the Board on 27 March 2018.

### **4. Post Office Board Internal Governance Structure**

To assist in the execution of its corporate governance responsibilities, the Board has established three committees which deal with specific topics requiring independent oversight. The Audit, Risk and Compliance; Nominations; and Remuneration Committees are each chaired by a non-executive director.

The Board delegates responsibilities and authorities to these committees which operate within terms of reference approved by the Board. The terms of reference for all committees are reviewed annually in March to confirm that each committee has delivered against them during the year. The reviews in March 2018 raised no issues.

Terms of Reference for the committees are available on the Post Office Limited website [corporate.postoffice.co.uk/our-leadership](http://corporate.postoffice.co.uk/our-leadership).

### **5. Matters reserved to the Board**

#### **BOARD TERMS OF REFERENCE - Including the Schedule of Matters reserved for Board decision**

The Board of Post Office Limited is collectively responsible for setting the Company's primary business objectives, for establishing a proper governance framework to manage and monitor risk and for ensuring that the Company has the resources and leadership required to achieve its stated objectives. Directors' statutory duties are set out in the Companies Act 2006. The primary duty of the directors is to promote the success of Post Office Limited as a Company for the benefit of its Government shareholder and the wider stakeholder community.

The Board remains accountable for performance to UKGI. The Board is required to notify UKGI of certain activities and capital commitments and to seek the consent of UKGI, as Shareholder, for certain actions, as set out in the Articles of Association.

## A. BOARD COMPOSITION

The Board is made up of two executive directors and six non-executive directors, including the Chairman.

ROLE	INCUMBENT
<b>Chairman</b> <i>(Chairman of Nominations Committee)</i>	Tim Parker
<b>Senior Independent Director</b> <i>(Chairman of Remuneration Committee)</i>	Ken McCall
<b>Non-Executive Director</b> <i>(Chairman of Audit, Risk &amp; Compliance Committee)</i>	Carla Stent
<b>Non-Executive Director</b>	Tim Franklin
<b>Non-Executive Director</b>	Tom Cooper from 27 March 2018 <i>(Government appointee)</i>
<b>Non-Executive Director</b>	Virginia Holmes' replacement is to be confirmed
<b>Chief Executive</b>	Paula Vennells
<b>CFOO</b>	Alisdair Cameron

The Company Secretary (Jane MacLeod) acts as Secretary to the Board.

The composition of the Board is monitored by the Nominations Committee, which makes recommendations to the Board for the appointment or retirement of directors, taking into account the need for a diverse board membership with a range of appropriate skills and experience. All appointments are subject to the consent of the Shareholder.

Non-executive directors form the majority of the Board. The term of office of each non-executive director is set by the Shareholder. Non-executive Directors are usually appointed for a minimum period of three years. The initial term of office may be renewed for a further period but normally non-executive directors will not serve for longer than six years.

## B. BOARD MEETINGS

The Board meets as often as required. Typically 8 Board meetings are held each year. In addition, separate Strategy sessions are held twice a year. Board dinners are held the evening before the Board meeting from time to time.

The quorum for the transaction of business at a Board meeting is two directors (one executive, one non-executive).

The Board 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.

Meetings may be convened by the Secretary, at the request of the Chairman, or by any director, at any time.

Notice of each meeting shall be given to all directors and, unless there are special circumstances, shall be given at least 3 working days before each meeting.

The Secretary (or a nominated deputy) shall attend all Board meetings and keep minutes and records of all decisions and actions.

Other Post Office employees and/or external consultants may attend for part or the whole of any Board meeting at the invitation of the Chairman.

The Secretary will be accountable to the Chairman for the provision of relevant and timely information to the Board and for ensuring regular reporting from Board Committees and the Group Executive to the full Board.

The non-executive directors will meet twice at least once each year without the executive directors being present.

### **C. DUTIES AND RESPONSIBILITIES**

In addition to its legal duties, the Board has the following specific responsibilities:

- Setting the strategic direction of the Post Office
- Establishment of the Post Office's vision and values
- Setting the Company's risk appetite and ensuring a proper framework exists for the management of risk
- Maintenance of proper accounting and tax records, as required by the Companies Act 2006
- Maintenance of a sound system of internal control so that the Company can meet its statutory and regulatory obligations
- Maintenance of the reputation of the Post Office as a public institution, including consideration of new products and activities which may attract public interest or have an impact on the value of the Post Office brand
- Ensuring regular and active communications with the Shareholder, particularly on the Company's performance against the Strategic Plan and other key indicators
- Delegation of authority to Board Committees and to the Post Office Group Executive, according to their respective Terms of Reference
- Formal evaluation of the performance of the Board, Board Committees and individual directors.

The Board may delegate authority to the Group Executive or to any Board Committee to deal with any particular matter or to complete a project or task on behalf of the Board. A Board Committee includes both standing committees such as the Audit, Risk and Compliance Committee (ARC), the Nominations and Remuneration Committees and any ad-hoc sub-committees. The Board approves the terms of reference for all its committees and receives reports on their activities, including copies of the minutes. Directors of the Board constitute the majority of members of any Board Committee.

### **D. SCHEDULE OF MATTERS RESERVED FOR BOARD DECISION**

The following matters are reserved specifically for Board decision. Where indicated (\*), the Board may delegate authority to a Board Committee to bring forward a recommendation for approval or to complete a project or task on behalf of the Board.

#### Section 1: Strategy and management

- Approval of the annual operating plan and budget.
- Approval of the Strategic Plan to be submitted to Government and any changes to it.
- Approval of the Funding Agreement with Government and monitoring of the achievement of milestones contained within the plan.

- Approval of the criteria for measurement of performance (Key Performance Indicators) and annual review of such criteria.
- Ensuring that any necessary corrective action is taken in the light of reviews of performance against budget and against the Strategic Plan and Funding Agreement.
- Setting the policy for diversity, talent management and succession planning within Post Office.
- Approval of any extension of the Group's activities into new business areas or outside the UK.
- Any decision to cease to operate all or any material part of the Group's business.

#### Section 2: Ownership, capital structure and constitution

- Consideration of any recommendations for major changes to the Group's ownership and/or control structure.
- Approval of changes to the Group's capital structure including any proposal to issue new classes of shares, to redeem, consolidate or redesignate existing shares or to reduce the share capital.
- Proposals for changes to the Articles of Association or other constitutional documents applicable to the Post Office from time to time.
- Approval of the incorporation of any new Group company, partnership or joint venture entity, including any subscription or application for allotment of shares.
- Approval for the dissolution of any Group company, partnership or joint venture entity.

#### Section 3: Financial reporting and controls

- Approval of the annual report and accounts, including any corporate governance statement and any specific reports required by Company law\* (*Board-appointed sub-committee*).
- Approval of any half year financial report or trading statement for publication\* (*Board-appointed sub-committee*).
- Approval and declaration of any dividends or other proposed distributions, subject to the Articles of Association and confirmation of the sufficiency of distributable reserves.
- Approval of any significant changes in accounting policies or practices\* (*ARC*).
- Approval of treasury and banking policies, including methods of mitigating against foreign currency exposure and any use of financial derivatives \* (*ARC*).
- Monitoring of the independence of internal and external auditors \* (*ARC*).
- Approval of the appointment or removal of the external auditor\* (*ARC*).
- Ensuring that an effective risk management system is maintained as part of a sound system of internal controls and internal risk management \* (*ARC*).

#### Section 4: Financial commitments

Shareholder consent is required for:

- contracts > £50m (other than in the ordinary course of business)
- all strategic acquisitions and disposals
- all proposals to enter into financial instruments, bank borrowings and any proposed loan facility (above £20m)
- approval of major asset disposal.

Any of these categories would need to be recommended by the POL Board to the Shareholder.

- Contracts of £5m or more (excluding operational BAU expenditure such as agents' remuneration bill).
- Contracts where there is a risk of liability or loss or a wider risk that requires escalation to the Board, including:
  - a granting of a security in excess of £5m;
  - a new area of business which might bring Post Office within the scope of oversight of a regulator to which it has not previously been subject;
  - a matter which gives rise to risk [in excess of £5m] in maintaining service commitment to customers in line with Post Office's social purpose (for which POL has an averse risk statement);
  - a matter which could risk disruption to Post Office's credit facility (averse risk appetite – POL is to ensure loan remains below £950m with maintenance of £200m headroom);
  - a matter where there is realistic possibility of CMA intervention.
- Consideration of any material changes to pension arrangements for Post Office employees, in particular affecting the rate of contributions required to be made.
- Determination of the appropriate investment strategy for Post Office pension funds and monitoring of performance by the investment managers.

#### Section 5: Appointments and Senior Remuneration

- Recommendation of the appointment of any person as a Director \* (*Nominations Committee*).
- Following receipt of consent from the Shareholder, formal appointment of any person as a Director, including the designation of an individual to serve as Chairman, Senior Independent Director, Chief Executive, CFOO or Chairman of any Board Committee.
- Confirmation of the division of responsibilities between the Chairman and the Chief Executive.
- Appointment and any termination of appointment of the Company Secretary.
- Recommendations to the Shareholder on changes to remuneration policy and packages for Executive Directors \* (*Remuneration Committee*).
- Recommendations to the Shareholder on fees to be paid to Non-Executive Directors.
- Introduction of any long term incentive scheme and approval of the performance criteria and the amount of any awards to be made under any long term incentive scheme \* (*Remuneration Committee*).
- Approval of any annual bonus schemes involving participation by Directors\* (*Remuneration Committee*).
- Confirmation of the terms of any suspension or termination of service of an Executive Director as an employee of the Company, subject to the law and their Director's contract \* (*Remuneration Committee*).
- Appointments to the Boards of subsidiary and joint venture companies.
- Appointment of specified individuals to authenticate the Post Office Limited seal.
- Appointment of the Group's principal professional advisers.

Section 6: Governance

- Ensuring delivery of the obligations on the Post Office set by the Postal Services Act 2011, including the publication of an annual Network Report and Postal Heritage Report.
- Approval of the Group's overall corporate governance arrangements.
- Performance evaluation of the Board, Board Committees and individual Board members (or confirmation of why this has not occurred).
- Approval of Group policies including, but not limited to, the Health and Safety Policy, Anti-Money Laundering Policy, Whistle-Blowing policy and/or Code of Conduct and Anti-Corruption Policy.
- Approval of the overall levels of insurance for the Group, including directors' and officers' liability insurance and any arrangements for indemnity of directors.
- Any proposal to make political donations.
- Changes to the Schedule of Matters Reserved for Board decision.

## 6. Board Committee Terms of Reference

The terms of reference for the Board Committees are at: [ HYPERLINK "<http://corporate.postoffice.co.uk/our-leadership>" ]. The purpose of each Committee and main business items for the Audit, Risk and Compliance Committee are shown below.

### 6.1 AUDIT, RISK AND COMPLIANCE COMMITTEE

#### 1. PURPOSE

The purpose of the Audit, Risk and Compliance Committee ("ARC" or the "Committee") is to assist the Board of Directors in fulfilling its fiduciary responsibilities by:

- Contributing an independent view on the accounting, financial control and financial reporting practices of the Company
- Taking all reasonable steps to ensure accurate and informative corporate financial reporting and disclosures which meet appropriate accounting and corporate governance standards
- Providing oversight of the company's risk management systems, operational controls and key systems.
- The responsibilities undertaken by the ARC under delegated authority from the Board will be subject always to the powers and duties of the Board, as set out in the Articles of Association.

#### 2. ARC MEMBERSHIP

Chairman	:	Carla Stent
Members	:	Tim Franklin, Tom Cooper and Ken McCall
Company Secretary	:	Jane MacLeod
External Audit	:	Ernst & Young
Head of Internal Audit	:	Johann Appel

### 6.2 REMUNERATION COMMITTEE

#### 1. PURPOSE

The purpose of the Remuneration Committee is to recommend to the Board the remuneration strategy and any changes to individual elements of the remuneration package for executive directors of Post Office Limited (the Company); members of the Group Executive who report directly to the Chief Executive; other significant senior level appointments with comparable remuneration; and to provide an oversight function for the remuneration of the directors of the Post Office Management Services Limited (POMS) board, as determined by the Board. Any changes in remuneration for directors of the Company must be approved in advance by the Shareholder. The remuneration of the Chairman and of non-executive directors will be set by the Shareholder.

#### 2. REMCO MEMBERSHIP

Chairman	:	Ken McCall
Members	:	Post Office Board Chairman
Company Secretary	:	Jane MacLeod

### **6.3 NOMINATIONS COMMITTEE**

#### **1. 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.

#### **2. NOMCO MEMBERSHIP**

Chairman	:	Post Office Board Chairman
Members	:	Ken McCall
Company Secretary	:	Jane MacLeod

## 7. Directors' Roles

### **DUTIES AND RESPONSIBILITIES OF DIRECTORS**

Directors owe a variety of duties to the Company. Among other duties, directors have a duty to exercise reasonable care, skill and diligence, a duty to promote the success of the Company and a duty to act within their powers. Directors must not use their power for an improper purpose, take personal advantage of the Company's opportunities, allow their personal interests to conflict with those of the Company nor misapply the Company's assets.

The Institute of Chartered Secretaries and Administrators which provides a helpful guide to these duties: [https://www.icsa.org.uk/assets/files/free-guidance-notes/directors-general-duties \(1\).pdf](https://www.icsa.org.uk/assets/files/free-guidance-notes/directors-general-duties (1).pdf)

### **ENTITLEMENT TO INDEPENDENT PROFESSIONAL ADVICE**

Directors may seek independent financial or legal advice related to their duties as a Board director, which will be at the expense of the Company. Access to these advisers should be arranged via the company secretary.

### **DIRECTORS AND OFFICERS INSURANCE**

Each director and officer of Post Office companies is covered by directors and officers insurance, currently through AIG Europe (UK) Limited. Cover is provided in respect of loss to each insured individual, subject to the aggregate limit of the policy (the indemnity limit is £60m at the time of writing), arising from a claim made against them, in respect of any wrongful act while acting in the capacity as a director, officer or employee of the Company (subject to policy terms and conditions). Cover is also provided in respect of loss to the Company in the event of any wrongful act by an insured person in their capacity as a director, officer or employee of the Company, where such losses are indemnified by the Company (subject to policy terms and conditions). Further details of the insurance cover are available from the company secretary.

### **COMPANIES ACT 2006, DIRECTORS' CONFLICT OF INTERESTS**

A director has a statutory duty to avoid a situation where he has, or can have, a conflict of interest or possible conflict of interest with the Company's interests. This duty can be avoided if the company's articles provide authorisation for such a situation and the position has been authorized in advance by the Board. The Articles do contain such a provision and all directors of the Company are required to declare any conflicts of interest. If any such conflict or potential conflict exists, this should be declared to the Board who can consider it and decide whether they are prepared to authorise the conflict. If directors are in any doubt about whether a conflict exists, they should contact the company secretary.

## 8. Board Dates for 2018

2018	ARC	POL Board	RemCo	NomCo
January	29th 09.30 - 11.30	29 <sup>th</sup> 12.30 – 17.30		
February			8th 10.00 - 11.00	8th 11.00 - 12.00
March	27th 09.30 - 11.30	27th 11.45 - 16.30		
April				
May	17th 09.30 - 11.30	24th 11.15 - 16.00	24th 09.30 - 10.30	24th 10.30 - 11.00
June		26th & 27th TBA		
July	31st 09.30 - 11.30	31st 11.45 – 16.30		
August				
September		25th 11.45 - 16.30	25th 10.00 – 11.00	25th 11.00 - 11.30
October	30th 09.30 - 11.30	30th 11.45 – 16.30		
November		27th 11.45 – 16.30	27th 09.30 – 10.30	27th 10.30 – 11.00
December				

**Board Dates for 2019**

2019	ARC	POL Board	NomCo	RemCo
January	29th 09.30 - 11.30	29th 11.45 - 16.30		
February			12 <sup>th</sup> 10.00 – 11.00	12th 11.00 – 12.00
March	26th 09.30 - 11.30	26th 11.45 - 16.30		
April				
May	21st 09.30 - 11.30	28th 11.15 - 16.30	28 <sup>th</sup> 09.30 – 10.00	28th 10.00 – 11.00
June		25th & 26th TBA		
July	30th 09.30 - 11.30	30th 11.45 – 16.30		
August				
September		24th 11.15 - 16.30	24th 09.30 – 10.00	24th 10.00 – 11.00
October	29th 09.30 - 11.30	29th 11.45 – 16.30		
November		26th 11.15 – 16.30	26 <sup>th</sup> 09.30 – 10.00	26th 10.00 – 11.00
December				

## 9. Board Future Agenda

Recurring Items	
Occurrence	Item
<b>Every Board Meeting</b>	Minutes of previous Board meeting and Matters Arising Board Status report Minutes of Committee meetings and updates from the Chairs Chief Executive's Report Financial Performance Update Sealings (for noting)
<b>NB</b>	The Health & Safety Report, the Cyber Security Report and the Internal Audit report will be tabled at the ARC and included in the ARC minutes. Anything significant which needs Board discussion will be highlighted by the Chair of the ARC.
<b>Bi-Annually</b>	People Update: Year End Performance Review (May) and half year review (November) Business Report & Accounts (May) and interim (October)
<b>Annually</b>	Adoption/confirmation of the policies which are reserved to the Board (March) Approval of the Annual Budget and Operating Plan (March) Review of Risk Management and Internal controls in line with UK Corporate Governance Code (March) Approval of STIP and LTIP Payments for Executive Directors (May) Approval of STIP and LTIP Performance Conditions (May) Board Strategy Away Day (June) Proposed Board dates for following year (July) Board Effectiveness Review initiated (October ) report (January ) Insurances (September) recommended by the ARC

## MEETING AGENDAS TO DATE FOR MAY, JUNE AND JULY 2018

Meeting Date	Agenda Items
<b>26<sup>th</sup> May 2018</b>	Board Meeting Recurring Items, plus: 1. Retail Performance 2. RM Negotiation Update 3. Customer Hub Update 4. Future of cash 5. HNGT Business Case 6. POMs regulatory capital 7. Postmaster Litigation
<b>26<sup>th</sup> &amp; 27<sup>th</sup> June 2018</b>	Board Away Days: Retail , IT and Post Office insurance
<b>31<sup>st</sup> July 2018</b>	Board Meeting Recurring Items, plus: 1. FS&T Performance 2. UKGI Change Report 3. Digital Suppliers – preferred options 4. Postmaster Litigation

**Minutes from previous meetings will be provided on BoardPad.**

## 10. Glossary of Terms

Below is a listing of key abbreviations used throughout Post Office together with additional terminology utilised within Post Office:

AEI	Application, Enrolment and Identity
AP	Action Point (used in minutes)
AR	Appointed Representative
ARC	Audit, Risk and Compliance Committee
API	Application Programming Interface
ATM	Automated Teller Machine
BACS	Bankers' Automated Clearing Services
BAU	Business as Usual
BEIS	Department of Business, Energy & Industrial Strategy
BOI	Bank of Ireland
BPMA	British Postal Museum and Archive
CAG	Change Approval Group
CAGR	Compound Annual Growth Rate
CDP	Common Digital Platform
CEIRF	Collective Engagement & Industrial Relations Framework
CFS	Core Financial System
CMA	Community Managers Association
COSA	Crown Office Staffing Arrangement (agreement with CWU)
CPI	Consumer Price Index
CRM	Customer Relationship Management
CTP	Crown Transformation Programme
CViT	Cash and Valuables in Transit
CWU	Communication Workers Union
DA	Distribution Agreement between POL and POMS (since we have MSA listed)
DMB	Directly Managed Branch (previously referred to as 'Crowns')
DPC	Direct Product Contribution
DPO	Data Protection Officer
DRO	Departmental Records Officer
DVLA	Driver and Vehicle Licensing Agency
DVSA	Driver and Vehicle Standards Agency (formerly VOSA – see below)
DWP	Department of Work & Pensions
EBITDAS	Earnings Before Interest, Tax, Depreciation, Amortisation and Subsidy

eKYC	Enhanced Know Your Customer
EPOS	Electronic Point of Sale
EUC	End User Computing
ExCo	Executive Committee
FBU	Fair, Balanced and Understandable
FCA	Financial Conduct Authority
FOoG	Front Office of Government
FRES	First Rate Exchange Services Limited
FRESH	First Rate Exchange Services Holdings Limited
FS	Financial Services
FSC	Financial Services Centre
FSJVA	Financial Services Joint Venture Agreement between Bol and POL dated [2012]
FS&T	Financial Services & Telecoms business unit
GDPR	General Data Protection Regulation
GE	Group Executive
Horizon	IT in branch counter system supplied by Fujitsu. Versions include HNGX, HNGA, HNGT
HRSC	Human Resources Service Centre
IDA	Identity Assurance (Services)
IDD	Insurance Distribution Directive
IDV or ID &V	Identity verification
IPA	Information Protection and Assurance Team
IPS	Identity and Passport Services
JIC	Joint Insurance Committee
Junction	Travel Insurance JV between [BGL and POMS]
LDF	Leadership Development Forum
LTIP	Long Term Incentive Plan
MDA	Master Distribution Agreement between RMG and POL
MSA	Master Services Agreement between POL and POMS
MtSF	Managing the Surplus Framework (Agreement with CWU)
ND	Network development – plan to expand the size of the network with more, smaller branches including whitespace.
NDA	Non Disclosure Agreement
Network Tower Contract	IT contract with Verizon (previously BT) providing IT telecoms services in POL offices and across the branch network
NFSP	National Federation of SubPostmasters
NS&I	National Savings & Investments
NSP	Network Subsidy Payment

NT	Network Transformation
NTP	Network Transformation Programme
PCI	Peripheral Component Interconnect - used in the Payment Card Industry (MasterCard data security standard)
PID	Project Initiation Document
PO	Purchase Order
POAC	Post Office Advisory Council
POCA	Post Office Card Account
POFS	Post Office Financial Services
POL	Post Office Limited
POLIC	Post Office Investment Committee
Polo	Current Account
POMS	Post Office Management Services Limited
POSH	Postal Services Holdings Limited (In Liquidation)
RemCo	Remuneration Committee
RM	Royal Mail
RMG	Royal Mail Group
RMHB	Royal Mail Holdings Board
RMPP	Royal Mail Pension Plan
RMSEPP	Royal Mail Senior Executive Pension Plan
RMDCP	Royal Mail Defined Contribution Plan
RBS	Royal Bank of Scotland
RPI	Retail Price Index
SGEI	Services of General Economic Interest
ShEx	Shareholder Executive (now replaced with UKGI)
SIA	Security Industry Authority
SLP	Senior Leadership Population
SLT	Senior Leadership Team
SMCR	Senior Managers and Certification Regime
SPMO	Strategic Project Management Office
State Aid	a European Commission (EC) term which refers to forms of public assistance, given to undertakings on a discretionary basis, which has the potential to distort competition and affect trade between Member States of the European Union
STIP	Short Term Incentive Plan
UKBA	UK Borders Agency
UKGI	UK Government Investments (owned by HM Treasury and is the successor to the Shareholder Executive)
VOSA	Vehicle and Operator Services Agency

**Project List:**

<b>Project Name</b>	<b>Date</b>	<b>Explanation</b>
Eagle	2012	Sale of POFS to the Bank of Ireland, restructure commission rates for personal financial services and extend the contract to 2023.
EUM	2016-18	Enhanced User Management – a project to ensure that Post Office can ensure that only properly vetted and trained persons have access to Horizon.
Everest	2017	Re-negotiation of contract with Fujitsu to increase variability of IT cost base.
Falcon	2016-17	Implementation of Financial Services strategic plan.
Finch	2016-17	Removal of in branch Financial Services specialists.
Gamma	2007	A contract variation with POFS generating £100m cash and income over a number of years in return for a series of commitments through to 2020.
Hawk	2015	Acquisition of the 50% of the Insurance business jointly owned by POL and BoI and which was injected into POMS.
Iris	2016-17	Review and restructure of the Supply Chain operations.
Jaguar	2017	Acquisition of New Call telecoms customers.
Maypole		The procurement project leading to the implementation of POCA.
Mercury	2017-18	Development and Roll-out of HNGT-Lite.
Panther	2017	Proposed acquisition of clients and customers in the payments market from [Payzone].
Peregrine	2016-17	Re-negotiation of the BoI FSJVA.
Robin		A de-risking project in respect of pensions which removed the link to final salary in respect of pre-2008 defined benefit pension accrual.
Solar	2017-18	
Sparrow	2013-15	Initial Complaint Review and Mediation Scheme (regarding complaints concerning Horizon reliability).
Titan	2015	Project to activate POMS as a trading company as distributor of travel insurance.
Ultra		Review of the viability of moving agents to corporate structures and contracts.
Wave		The project to introduce a mobile service offering.

**11. Articles of Association**

Company No. 2154540

**THE COMPANIES ACT 2006**

**A PRIVATE COMPANY LIMITED BY SHARES**

**NEW**

**ARTICLES OF ASSOCIATION**

of

**Post Office Limited**

(adopted by a written resolution passed on 12 September 2013)

**Registered office**  
148 Old Street  
London  
EC1V 9HQ

Company No. 2154540

**ARTICLES OF ASSOCIATION**  
of  
**Post Office Limited**  
**(adopted by a written resolution passed on 12 September 2013)**

**INTERPRETATION**

**1. EXCLUSION OF MODEL ARTICLES**

No regulations set out in any statute, or in any statutory instrument or other subordinate legislation made under any statute concerning companies shall apply as the regulations or articles of the company.

**2. DEFINITIONS**

In these articles unless the context otherwise requires -

**"the Act"** means the Companies Act 2006 (including any orders, regulations or other subordinate legislation made under it) to the extent from time to time in force;

**"the articles"** means these articles of association of the company as altered from time to time by special resolution and the expression "this article" shall be construed accordingly;

**"the board"** means the board of directors from time to time of the company or the directors present at a meeting of the directors at which a quorum is present;

**"business day"** means any day which is not a Saturday or Sunday or a public holiday;

**"clear days"** in relation to the period of a notice, means that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect;

**"Enlarged Group"** means the company, its ultimate parent company and all subsidiaries of such ultimate parent company, but excluding any subsidiary of the ultimate parent company which is a USP Listco (and its subsidiaries);

**"executed"** includes any mode of execution;

**"group"** means the company and its subsidiary undertakings (as defined in Section 1162 of the Companies Act 2006) from time to time;

**"the holder"** in relation to shares means the member whose name is entered in the register of members as the holder of the shares;

**"member"** means a member of the company;

**"network subsidiary"** means any subsidiary of Royal Mail Holdings plc (other than any subsidiary of Royal Mail Holdings plc which is a USP Listco (and its subsidiaries)) which is, or any of whose wholly owned subsidiaries is, engaged in the provision of a network of places from which postal services and/or services provided under arrangements between a UK government department and that subsidiary or any of its wholly owned subsidiaries, are provided directly to the public;

**"office"** means the registered office of the company;

**"Parent"** means the parent undertaking of the company (as defined in Section 1162 of the Companies Act 2006);

**"Primary Territories"** means all those countries or parts of the world being members of the Organisation for Economic Co-operation and Development, and (whether or not the same are or become members of the said organisation) each of the Isle of Man, the Channel Islands and Gibraltar, together with such other territories as shall be agreed in writing between the Special Shareholder and the company;

**"public holiday"** has the meaning given to that term in the Postal Services Act 2000;

**"the register"** means the register of members of the company;

**"Relevant Decision"** has the meaning given to that term in article 13(A);

**"Relevant Issue"** has the meaning given to that term in article 13(D);

**"relevant transaction"** means any actual or proposed acquisition, sale or other disposition (whether by security or otherwise) or parting with or sharing of ownership (including, without limitation, by partnership, joint venture or otherwise) of any assets, rights or property whatsoever by any member of the group, other than:

- (a) any transaction in the ordinary course of business (including without limitation the taking of assets on lease or hire purchase);
- (b) any transaction between the company and any other member of the Enlarged Group or between members of the Enlarged Group; and
- (c) any transaction approved in any Strategic Plan;

**"Royal Mail Holdings plc"** means the company incorporated in England and Wales with registered number 4074919;

**"the seal"** means the common seal of the company;

**"secretary"** means the secretary of the company or any other person appointed to perform the duties of the secretary of the company, including a joint, assistant or deputy secretary;

**"Secretary of State"** means one of Her Majesty's Secretaries of State;

**"share rights"** has the meaning given to such term in section 15 of the Postal Services Act 2011;

**"shares"** shall be interpreted in accordance with section 15 of the Postal Services Act 2011;

**"Special Share"** means the one special rights redeemable preference share of £1.00 in the capital of the company;

**"Special Shareholder"** means the holder of the Special Share;

**"Strategic Plan"** means the strategic plan relating to the operation and overall strategic direction of the group described in article 72;

**"Trade Mark"** means the registered trade mark "The Post Office" anywhere in the world;

**"the United Kingdom"** means Great Britain and Northern Ireland;

**"USP Listco"** means a company:

- (a) shares in which are or have been admitted to the premium listing segment of the Official List of the Financial Conduct Authority of the United Kingdom (acting in its capacity as the competent authority for the purpose of Part VI of the Financial Services and Markets Act 2000) and admitted to trading on the main market for listed securities of the London Stock Exchange plc; and
- (b) which is or has been, or a subsidiary of which is or has been, designated as the universal service provider under section 35 of the Postal Services Act 2011; and

**"wholly owned by the Crown"** shall be interpreted in accordance with Part 1 of the Postal Services Act 2011.

Unless the context otherwise requires, words or expressions contained in these articles bear the same meaning as in the Act but exclude any statutory modification thereof not in force when these articles become binding on the company. Subject to the foregoing sentence, references to any provision of any enactment or any subordinate legislation (as defined by section 21(1) of the Interpretation Act 1978) include any modification or re-enactment of that provision for the time being in force.

References to **"writing"** include references to any method of representing or reproducing words in a legible and non-transitory form, whether in electronic form or otherwise.

References in articles 82, 83 and 94 to (i) a contract include references to any proposed contract and to any transaction or arrangement or proposed transaction or arrangement whether or not constituting a contract; and (ii) a conflict of interest include a conflict of interest and duty and a conflict of duties.

Headings are included only for convenience and shall not affect meaning.

If, and for so long as, the company has only one member, these articles shall (in the absence of any express provision to the contrary) apply with such modification as may be necessary in relation to the company.

## FORM OF RESOLUTION

### 3. FORM OF RESOLUTION

A resolution in writing executed by or on behalf of each member who would have been entitled to vote upon it if it had been proposed at a general meeting at which he was present shall be as effectual as if it had been passed at a general meeting properly convened and held and may consist of several instruments in the like form each executed by or on behalf of one or more of the members.

## LIMITED LIABILITY

### 4. LIMITED LIABILITY

The liability of members of the company is limited to the amount, if any, unpaid on the shares in the company held by them.

## SHARE CAPITAL

### 5. RIGHTS ATTACHED TO SHARES

Subject to the provisions of the Act and to any rights conferred on the holders of any other shares, any share may be issued with or have attached to it such rights and restrictions as the company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the board may decide.

### 6. REDEEMABLE SHARES

Subject to the provisions of the Act, shares may be issued which are to be redeemed or are to be liable to be redeemed at the option of the company or the holder.

### 7. PAYMENT OF COMMISSION

The company may exercise the powers of paying commissions conferred by the Act. Subject to the provisions of the Act, any such commission may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one way and partly in the other.

### 8. TRUSTS NOT RECOGNISED

Except as required by law, no person shall be recognised by the company as holding any share upon any trust and (except as otherwise provided by the articles or by law) the company shall not be bound by or recognise any interest in any share except an absolute right to the entirety thereof in the holder.

### 9. VARIATION OF CLASS RIGHTS

Subject to the provisions of the Act, if at any time the capital of the company is divided into different classes of shares, the rights attached to any class may be varied, either while the company is a going concern or during or in contemplation of a winding-up:

(A) in such manner (if any) as may be provided by those rights; or

(B) in the absence of any such provision, with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class,

but not otherwise. The provisions of these articles relating to general meetings shall, with any necessary modifications, apply to every such separate general meeting, except that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons together holding or representing by proxy at least one-third in nominal value of the issued shares of the class in question (unless there is only one person who holds issued shares in the class, in which case the quorum shall be one person) and at an adjourned meeting shall be one person holding shares of the class in question or his proxy.

## THE SPECIAL SHARE

### 10. SPECIAL SHAREHOLDER

- (A) The Special Share may only be issued to the Secretary of State and may be transferred to and held by the Treasury, another Minister of the Crown or any other duly authorised person (including, without limitation, any nominee) acting on behalf of the Crown.
- (B) The Special Shareholder shall be entitled to receive notice of, and to attend and speak at, any general meeting or any meeting of any other class of shareholders of the company, but the Special Share shall carry no right to vote nor any other rights at any such meeting.
- (C) On a distribution of capital in a winding-up of the company the Special Shareholder shall be entitled to repayment of the lower of (i) the capital paid up on the Special Share; and (ii) an amount equal to 24% of the assets available for distribution to equity holders of the company. Any such distribution will be made in priority to any repayment of capital to any other member. In this article 10(C) the term "equity holders" shall have the meaning given by sections 158 and 159 of the Corporation Tax Act 2010 and the "assets available for distribution to equity holders" shall be determined in the same manner as they are determined for the purposes of section 166 of the Corporation Tax Act 2010.
- (D) Save as provided above, the Special Share shall confer no right to a dividend or any other right to participate in the capital or profits of the company.
- (E) The Special Shareholder may, subject to the provisions of the Act, require the company to redeem the Special Share at par (such sum being payable on redemption) at any time by serving written notice upon the company and delivering to the company the relevant share certificate. The company shall not be able to redeem the Special Share without the prior consent of the Special Shareholder.
- (F) In the event that:
  - (i) the Special Shareholder shall give directions to Royal Mail Holdings plc under section 72 of the Postal Services Act 2000; and
  - (ii) Royal Mail Holdings plc requires the company or any member of the group to do anything to comply with those directionsthen for such time as the company remains wholly-owned by the Crown the company shall take all steps within its power to do what those directions require to be done by the company, and exercise such rights as it has over any subsidiary to procure that such subsidiary does what those directions require to be done by such subsidiary, within the timeframe so required.
- (G) The provisions of this article 10 shall be subject to article 116.

### 11. VARIATION OF SPECIAL SHARE RIGHTS

#### 11.1 Matters requiring consent

Notwithstanding any provision in these articles to the contrary (save for article 116 to which this article 11 shall be subject), each of the following shall be deemed to be a variation of the rights

attaching to the Special Share and accordingly shall occur and be effective only with the prior written consent of the Special Shareholder:

- (A) the alteration or deletion of, or the ratification of any breach of, all or any part of these articles;
- (B) the voluntary winding-up of any member of the group, the passing of a special resolution to the effect that any member of the group should be wound-up by the court, the presentation (whether solely or jointly with any other person) of a petition for the winding-up of any member of the group, or any proposal for any of the foregoing;
- (C) the presentation (whether solely or jointly with any other person) of a petition applying for the appointment of an administrator of any member of the group, or any proposal therefor;
- (D) the issue or allotment of any shares or granting of any share rights in the company;
- (E) the variation of any rights attached to any shares in the company in so far as such variation affects the rights attached to the Special Share;
- (F) the declaration or payment of any dividend or the making of any distribution by the company other than in accordance with the Strategic Plan;
- (G) any distribution, payment or return to shareholders of the company out of capital of the company;
- (H) the redemption or purchase by the company of any share in itself or the reduction of the share capital of the company, or any uncalled or unpaid liability in respect thereof, capital redemption reserve or share premium account of the company or the passing of any resolution authorising any of the foregoing;
- (I) the adoption of any accounting reference date or any material variation of the accounting practices and policies to be applied in the preparation of the accounts of any member of the group, if different from the practices or policies then adopted or applied by other members of the group (other than any accounting practice or policy required to be adopted by law or required by generally accepted accounting principles applying in the place of incorporation of the company or the relevant member of the group);
- (J) the:
  - (a) appointment or removal from office of any director of the company; or
  - (b) appointment or removal of any person as chief executive of the company (whether or not immediately prior to that appointment he was a director of the company and whether or not immediately after his removal he continues to be a director of the same), and "chief executive" shall refer to any person carrying out the general management functions of a chief executive officer of the company or the group,

or any change in the prescribed minimum number of directors of the company or the appointment of any person other than a director of the Parent or the company as an alternate director of any director of the company;

- (K) the adoption of a Strategic Plan or any material variation or amendment of a Strategic Plan previously adopted;
- (L) save as specifically provided for in the approved Strategic Plan, any substantial alteration in the nature of the business carried on by the company;
- (M) the entry into any relevant transaction under which the company, directly or indirectly, ceases to own or retain any such interest as it may have in any asset in the absence of which the group might reasonably be considered to be unable to continue to perform the business of the company as provided for in the Strategic Plan, except in circumstances under which the relevant asset remains available for exclusive use by any one or more members of the group for the remainder of its useful economic life or until it is fully depreciated;
- (N) any arrangement whereby the directors of any member of the group shall cease to determine the general policy of the relevant member of the group and the scope of the activity and operation of the relevant member of the group or cease to determine all matters involving major or unusual decisions material to the business of the group taken as a whole or otherwise whereby the control of the management of the relevant member of the group shall pass from the directors thereof to any third party or body;
- (O) the entry into or implementation of a relevant transaction by any member of the group which involves or is likely to involve (either individually or when taken together with all other related relevant transactions (other than any related relevant transaction previously approved under this article 11.1(O) entered into or implemented in the previous 12 months)) the incurrence of a commitment or liability, or the payment of a sum, by any member of the group which is an amount in excess of £50,000,000;
- (P) the entry by any member of the group into any relevant transaction which is not on commercial terms and is not considered by the directors of that member to be in the interests of that member;
- (Q) (i) the sale, assignment, charging, mortgaging or outright disposal by any member of the group of any Trade Mark in any of the Primary Territories (ii) the granting of an exclusive licence by any member of the group which prevents the group from using any Trade Mark in any of the Primary Territories (iii) the taking of any action by any member of the group with the intention of jeopardising any Trade Mark in any of the Primary Territories (iv) the taking of any action by any member of the group which has the effect of causing any Trade Mark in any of the Primary Territories to cease to subsist, or (v) the taking of any decision or action which has the effect of allowing rights in respect of any Trade Mark in any of the Primary Territories to lapse;
- (R) the approval of or agreement to or any material variation or amendment to:
  - (a) the remuneration (including, without limitation, salary, share options, bonuses, benefits in kind and pension rights) paid or granted by any member of the group to any director of the company if that director was appointed by the Special Shareholder or the appointment of that director was duly consented to or deemed consented to by the Special Shareholder in accordance with the provisions of article 11.1(J); or
  - (b) the terms and conditions of employment or engagement by any member of the group of any of the directors of the company if that director was appointed by the Special

Shareholder or the appointment of that director was duly consented to or deemed consented to by the Special Shareholder in accordance with the provisions of article 11.1(J);

(S) (a) the incurring of (or entry into of any commitment to incur) any borrowing by any member of the group in circumstances where the borrowing:

- (i) (1) individually; or
- (2) taken together with the aggregate principal amount in respect of borrowings already incurred in the same accounting period without approval under this article 11.1(S); or
- (3) if part of any series of related borrowings to finance a single investment, then taken together with the aggregate principal amount incurred in respect of such related borrowings

exceeds £75,000,000; or

- (ii) is to be provided from any source other than another member of the Enlarged Group, the National Loans Fund or the Crown, save in respect of borrowings which are due from the Secretary of State, the Bank of England and (other) Monetary Financial Institutions, a Local Authority or a Public Corporation; or
- (iii) if taken together with the aggregate principal amount outstanding of all money borrowed by the group from any source (excluding amounts borrowed by any member of the group from any other member of the Enlarged Group, other than amounts to be taken into account under article 11.1(S) (b) (v) below) exceeds an amount equal to the lesser of £2,000,000,000 and 2.5 times the aggregate of:

- (1) the amount paid up on the issued share capital of the company; and
- (2) the total of the capital and revenue reserves of the group, including any share premium account, capital redemption reserve and credit balance on the profit and loss account, but excluding sums set aside for taxation and amounts attributable to outside shareholders in subsidiary undertakings of the company and deducting any debit balance on the profit and loss account, all as shown in the then latest audited consolidated balance sheet and profit and loss account of the group (or if consolidated financial statements are not prepared, as would have been shown in such consolidated financial statements had they been prepared), but adjusted as may be necessary in respect of any variation in the paid up share capital or share premium account or capital redemption reserve of the company since the date of that balance sheet and further adjusted as may be necessary to reflect any change since that date in the companies comprising the group;

(b) for the purposes of this article 11.1(S), but without prejudice to the generality of the terms "borrowing" and "borrowed":

- (i) amounts borrowed for the purpose of repaying the whole or any part of any amounts previously borrowed and then outstanding (including any premium payable on final repayment) and to be applied for that purpose within six months of the borrowing shall not, pending such application, be taken into account as money borrowed;
- (ii) the principal amount (including any premium payable on final repayment) of any debt securities issued in whole or in part for a consideration other than cash shall be taken into account as money borrowed by the member of the group issuing them;
- (iii) money borrowed by any member of the group and not owing to another member of the group shall be taken into account as money borrowed and money borrowed by any member of the group and owing to another member of the group shall not be so taken into account;
- (iv) borrowings of an undertaking which became a subsidiary undertaking of the company after the date as at which the latest audited balance sheet was prepared shall not, pending the date of the next consolidated audited balance sheet, be taken into account as money borrowed to the extent that the amount of those borrowings does not exceed their amount immediately after such undertaking became a subsidiary undertaking;
- (v) amounts outstanding under any arrangement entered into in the ordinary course of its business by any member of the group for the leasing or hire purchase of any assets shall not be taken into account as money borrowed; and
- (vi) any amounts outstanding under sections 71(2) (b), (c), (d) and (e) of the Postal Services Act 2000 shall be taken into account as moneys borrowed.

(c) for the purposes of this article 11.1(S) the following phrases shall have the following meanings:

**"Local Authority"** has the meaning given to it in sections 1(2) and (3) of the Local Government Act 1999 extended to include any district, island or regional council in Scotland or any county or district council in Northern Ireland;

**"Public Corporation"** means anybody within the definition of that expression in the edition of the "Classification of Accounts Guide Part III — Sector Categories" current at the time that the relevant borrowings are made; and

**"The Bank of England and (other) Monetary Financial Institutions"** means anybody within the definition of that expression in the edition of "Classification of Accounts Guide Part III — Sector Categories" current at the time that the relevant borrowings are made;

(d) in calculating the aggregate amount of borrowings for the purpose of this article 11.1(S), money borrowed by any member of the group which is denominated or repayable in a currency other than sterling shall be treated as converted into sterling:

- (i) at the rate of exchange used for the conversion of that currency in the latest audited balance sheet of that member; or
- (ii) if no rate was so used, at the middle-market rate of exchange prevailing in London at the close of business on the date of that balance sheet, but if the amount in sterling resulting from conversion at that rate would be greater than that resulting from conversion at the middle-market rate prevailing in London at the close of business on the business day immediately preceding the day on which the calculation falls to be made, the latter rate shall apply instead;
- (e) no debt incurred or security given in respect of money borrowed in excess of the above limit shall be invalid or ineffectual except in the case of express notice to the lender or the recipient of the security at the time when the debt was incurred or security given that the limit hereby imposed had been or was thereby exceeded, but no lender or other person dealing with the company shall be concerned to see or enquire whether such limit is observed;
- (T) the appointment or removal of any person as chairman of the company; and
- (U) any action taken by the company or the board (including any appointment, removal or re-designation) which would have the effect that the board ceased to include directors appointed to the post of Chairman, Chief Executive and Finance Director (or directors carrying out the general functions denoted by such posts).

## 11.2 Approval Procedure

- (A) Whenever the company wishes to obtain the Special Shareholder's consent to any matter set out in article 11.1 (other than article 11.1(S)):
  - (a) the company shall give notice to the Special Shareholder, such notice to:-
    - (i) be in writing;
    - (ii) be addressed to such persons as the Special Shareholder shall, from time to time, notify in writing to the company;
    - (iii) be delivered by hand or such other means (which may include electronic means) to which the Special Shareholder has provided (and not revoked) its written consent specifically for the purpose of receiving such notices;
    - (iv) clearly state that it is important and requires immediate attention;
    - (v) clearly identify itself as a notice served pursuant to this article 11.2(A) and that failure to respond within ten business days will result in the Special Shareholder being deemed to have given his consent to the matter in question; and
    - (vi) contain or annex such information as can reasonably be expected to enable the Special Shareholder to consider the matter being proposed.

(b) On or before the date which falls ten business days after the date of receipt of such notice (the "**Initial Expiry Date**") the Special Shareholder shall give written notice to the secretary stating:

- (i) his consent to the matter contained in the notice; or
- (ii) his refusal to consent to the matter contained in the notice (providing in reasonable detail and on a confidential basis the reasons for such refusal); or
- (iii) that he requires a further ten business days in which to consider the matter, commencing on the business day following the Initial Expiry Date.

(B) If on or before the Initial Expiry Date the Special Shareholder gives written notice to the company pursuant to article 11.2(A)(b)(iii) the Special Shareholder shall, on or before the date which falls ten business days after the Initial Expiry Date, give a further written notice to the secretary stating:

- (a) his consent to the matter contained in the notice; or
- (b) his refusal to consent to the matter contained in the notice (providing in reasonable detail and on a confidential basis the reasons for such refusal).

(C) The Special Shareholder may, at any time, request from the company such further information as it reasonably requires in order to assist it to consider the matter being proposed and the company shall deliver such information to the Special Shareholder as soon as reasonably practicable thereafter.

(D) If the company does not receive any notice from the Special Shareholder pursuant to article 11.2(A) (b) on or before the Initial Expiry Date or pursuant to article 11.2(B) within the further period referred to therein, the company shall be entitled to undertake the matter contained in the notice issued by it pursuant to article 11.2(A) (a) and the consent of the Special Shareholder shall be deemed irrevocably given to such matter.

(E) In favour of any third party dealing with any member of the group a certificate by any director or the secretary to the effect that the Special Shareholder shall have been deemed to have given his consent to any matter as a result of the operation of article 11.2(D) above shall be conclusive and binding as to that fact.

**11.3**

(A) Whenever the company wishes to obtain the Special Shareholder's consent to any matter set out in article 11.1(S), the company shall give notice to the Special Shareholder in accordance with articles 11.2(A)(a)(i) to (iv) and (vi), such notice to clearly identify itself as a notice served pursuant to this article 11.3 and that failure to respond within 28 business days will result in the Special Shareholder being deemed to have given his consent to the matter in question.

(B) On or before the date which falls 28 business days after the date of receipt of such notice (the "Expiry Date") the Special Shareholder shall give written notice to the secretary stating:

- (a) his consent to the matter contained in the notice; or

(b) his refusal to consent to the matter contained in the notice (providing in reasonable detail and on a confidential basis the reasons for such refusal).

(C) The Special Shareholder may, at any time before the Expiry Date request from the company such further information as it reasonably requires in order to assist it to consider the matter being proposed and the company shall deliver such information to the Special Shareholder as soon as reasonably practicable thereafter.

(D) If the company does not receive any notice from the Special Shareholder pursuant to article 11.3(B) on or before the Expiry Date the company shall be entitled to undertake the matter contained in the notice issued by it pursuant to article 11.3(A) and the consent of the Special Shareholder shall be deemed irrevocably given to such matter.

(E) In favour of a third party dealing with any member of the group a certificate by any director or the secretary to the effect that the Special Shareholder shall have been deemed to have given its consent to any matter as a result of the operation of article 11.3(D) above shall be conclusive and binding as such.

**11.4** Delivery of any notice served upon the Special Shareholder under articles 11.2 or 11.3 shall be evidenced by a receipt acknowledging delivery signed and dated by one of the addressees of the relevant notice and such notice shall be deemed to have been received on the date on which the receipt acknowledging delivery of the same is signed.

**11.5** The directors of the company will exercise all powers exercisable by the company in relation to group subsidiaries so as to ensure that no subsidiary shall take any action which (either alone or when taken together with any other action) would result in the variation of any of the rights attached to the Special Share.

**11.6** The provisions of this article 11 shall be subject to article 116.

**12. INFORMATION**

(A) Notwithstanding any other provision of these articles, the Special Shareholder shall be entitled to request such information in relation to the affairs of the group (or any particular member of the group) as it may consider necessary or desirable. The company shall use its reasonable endeavours to comply promptly with such requests for information from time to time, but only in so far as the company has such information within its possession or such information can reasonably be obtained by it.

(B) Notwithstanding any other provision of these articles the company shall, at the request of the Special Shareholder, procure that such specified or other relevant directors and senior managers of the company shall meet with the Special Shareholder (or its representatives) to discuss the affairs of the group (or any particular member of the group) and the company shall release such directors or managers from any obligation of confidentiality owed to the company for the purpose of these discussions.

**13. NOTIFICATION**

(A) The board shall, prior to taking any final decision on a Relevant Issue (a "Relevant Decision"), give to the Special Shareholder notice in writing setting out details of the Relevant Issue and the preliminary decision (if any) reached by the board in relation thereto.

(B) Any notice given pursuant to article 13(A) shall be given not less than ten business days before the Relevant Decision is taken unless, as a result of the urgency of the Relevant Issue, it would, in the opinion of the board, be materially prejudicial to the company or the group to delay making a decision on the Relevant Issue, in which case the notice may be given on shorter notice but not less than three business days prior to the taking of the Relevant Decision.

(C) Any notice provided to the Special Shareholder under article 13(A) shall:

- (i) be in writing;
- (ii) be delivered by hand;
- (iii) clearly identify that it is important, requires immediate attention, and that it is a notice served under article 13; and
- (iv) contain or annex such information as is reasonably necessary to enable the Special Shareholder to consider the Relevant Issue.

(D) An issue is a Relevant Issue if, in the reasonable opinion of the board:

- (i) it is not set out in reasonable detail in an approved Strategic Plan;
- (ii) it is an issue which may have material adverse effect upon the business or financial prospects of either a USP Listco (or any of its subsidiaries) or any network subsidiary and a corresponding benefit to the other of them; and
- (iii) it is an issue which involves the entry by the company into any arrangement which falls within either of the following categories, namely:
  - (a) it involves or is likely to involve the incurring of a capital commitment or liability, or the payment of a capital sum, in each case by a USP Listco (or any of its subsidiaries) or network subsidiary, of an amount in excess of £20,000,000 (and for this purpose a series of related transactions in any six month period shall be aggregated); or
  - (b) it has or is likely to have a net impact on the annual net revenues after tax of a USP Listco (or any of its subsidiaries) or network subsidiary in excess of £20,000,000 per six months.

(E) For the purposes of this article, the board shall procure that any Relevant Issue is referred to the board for consideration.

#### **SHARE CERTIFICATES**

#### **14. RIGHT TO SHARE CERTIFICATES**

Every member, upon becoming the holder of any shares, shall be entitled without payment to one certificate for all the shares of each class held by him (and, upon transferring a part of his holding of shares of any class, to a certificate for the balance of such holding) or several certificates each for one or more of his shares upon payment for every certificate after the first of such reasonable sum as the board may determine. Every certificate shall be executed under the seal or otherwise in

accordance with the Act or in such other manner as the board may approve and shall specify the number, class and distinguishing numbers (if any) of the shares to which it relates and the amount or respective amounts paid up thereon. The company shall not be bound to issue more than one certificate for shares held jointly by several persons and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them.

#### **15. REPLACEMENT OF SHARE CERTIFICATES**

If a share certificate is defaced, worn out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and payment of the expenses reasonably incurred by the company in investigating evidence as the board may determine but otherwise free of charge, and (in the case of defacement or wearing out) on delivery up of the old certificate.

#### **LIEN**

#### **16. COMPANY'S LIEN ON SHARES NOT FULLY PAID**

The company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) payable at a fixed time or called in respect of that share. The board may at any time declare any share to be wholly or in part exempt from the provisions of this article. The company's lien on a share shall extend to any amount payable in respect of it.

#### **17. ENFORCING LIEN BY SALE**

The company may sell in such manner as the board may determine any shares on which the company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within fourteen clear days after notice has been given to the holder of the share or to the person entitled to it in consequence of the death or bankruptcy of the holder, demanding payment and stating that if the notice is not complied with the shares may be sold. To give effect to a sale, the board may authorise some person to execute an instrument of transfer of the shares sold to, or in accordance with the directions of, the purchaser. The title of the transferee to the shares shall not be affected by any irregularity in or invalidity of the proceedings in reference to the sale.

#### **18. APPLICATION OF PROCEEDS OF SALE**

The net proceeds of the sale, after payment of the costs, shall be applied in payment of so much of the sum for which the lien exists as is presently payable, and any residue shall (upon surrender to the company for cancellation of the certificate for the shares sold and subject to a like lien for any moneys not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

#### **CALLS ON SHARES AND FORFEITURE**

#### **19. CALLS**

Subject to the terms of allotment, the board may make calls upon the members in respect of any moneys unpaid on their shares (whether in respect of nominal value or premium) and each member shall (subject to receiving at least fourteen clear days' notice specifying when and where payment is to be made) pay to the company as required by the notice the amount called on his shares. A call may be required to be paid by instalments. A call may be revoked in whole or part and payment of a call may be postponed in whole or part as the board may decide. A person upon whom a call is

made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect whereof the call was made. A call shall be deemed to have been made at the time when the resolution of the board authorising the call was passed.

**20. LIABILITY OF JOINT HOLDERS**

The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

**21. INTEREST DUE ON NON-PAYMENT**

If a call remains unpaid after it has become due and payable the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid at the rate fixed by the terms of allotment of the share or in the notice of the call or, if no rate is fixed, at the appropriate rate (as defined by the Act) but the board may waive payment of the interest wholly or in part.

**22. SUMS DUE ON ALLOTMENT TREATED AS CALLS**

An amount payable in respect of a share on allotment or at any fixed date, whether in respect of nominal value or premium or as an instalment of a call, shall be deemed to be a call and if it is not paid the provisions of the articles shall apply as if that amount had become due and payable by virtue of a call.

**23. POWER TO DIFFERENTIATE**

Subject to the terms of allotment, the board may make arrangements on the issue of shares for a difference between the holders in the amounts and times of payment of calls on their shares.

**FORFEITURE OF SHARES**

**24. NOTICE IF CALL OR INSTALMENT NOT PAID**

If a call remains unpaid after it has become due and payable the board may give to the person from whom it is due not less than fourteen clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

**25. FORFEITURE FOR NON-COMPLIANCE WITH NOTICE**

If the notice is not complied with any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the board and the forfeiture shall include all dividends or other moneys payable in respect of the forfeited shares and not paid before the forfeiture.

**26. SALE OF FORFEITED SHARES**

Subject to the provisions of the Act, a forfeited share may be sold, re allotted or otherwise disposed of on such terms and in such manner as the board determines either to the person who was before the forfeiture the holder or to any other person and at any time before sale, re allotment or other disposition, the forfeiture may be cancelled on such terms as the board thinks fit. Where for the

purposes of its disposal a forfeited share is to be transferred to any person the board may authorise some person to execute an instrument of transfer of the share to that person.

**27. ARREARS TO BE PAID NOTWITHSTANDING FORFEITURE**

A person any of whose shares have been forfeited shall cease to be a member in respect of them and shall surrender to the company for cancellation the certificate for the shares forfeited but shall remain liable to the company for all moneys which at the date of forfeiture were presently payable by him to the company in respect of those shares with interest at the rate at which interest was payable on those moneys before the forfeiture or, if no interest was so payable, at the appropriate rate (as defined in the Act) from the date of forfeiture until payment but the board may waive payment wholly or in part or enforce payment without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal.

**28. STATUTORY DECLARATION AS TO FORFEITURE**

A statutory declaration by a director or the secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share and the declaration shall (subject to the execution of an instrument of transfer if necessary) constitute a good title to the share and the person to whom the share is disposed of shall not be bound to see to the application of the consideration, if any, nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture or disposal of the share.

**TRANSFER OF SHARES**

**29. EXECUTION OF TRANSFER**

The instrument of transfer of a share may be in any usual form or in any other form which the board may approve and shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.

**30. RIGHT TO DECLINE REGISTRATION**

The board may refuse to register the transfer of a share which is not fully paid to a person of whom they do not approve and they may refuse to register the transfer of a share on which the company has a lien or where such transfer is restricted by the Act or the articles. They may also refuse to register a transfer unless -

- (A) it is lodged at the office or at such other place as the board may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer;
- (B) it is in respect of only one class of shares; and
- (C) it is in favour of not more than four transferees.

**31. NO FEE FOR REGISTRATION**

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share.

**32. RETENTION OF INSTRUMENT OF TRANSFER**

The company shall be entitled to retain any instrument of transfer which is registered, but any instrument of transfer which the board refuses to register shall be returned to the person lodging it when notice of the refusal is given.

**TRANSMISSION OF SHARES**

**33. TRANSMISSION ON DEATH**

If a member dies the survivor or survivors where he was a joint holder, and his personal representatives where he was a sole holder or the only survivor of joint holders, shall be the only persons recognised by the company as having any title to his interest; but nothing herein contained shall release the estate of a deceased member from any liability in respect of any share which had been jointly held by him.

**34. ELECTION OF PERSON ENTITLED BY TRANSMISSION**

A person becoming entitled to a share in consequence of the death or bankruptcy of a member may, upon such evidence being produced as the board may properly require, elect either to become the holder of the share or to have some person nominated by him registered as the transferee. If he elects to become the holder he shall give notice to the company to that effect. If he elects to have another person registered he shall execute an instrument of transfer of the share to that person. All the articles relating to the transfer of shares shall apply to the notice or instrument of transfer as if it were an instrument of transfer executed by the member and the death or bankruptcy of the member had not occurred.

**35. RIGHTS OF PERSON ENTITLED BY TRANSMISSION**

A person becoming entitled to a share in consequence of the death or bankruptcy of a member shall have the rights to which he would be entitled if he were the holder of the share, except that he shall not be entitled to attend or vote at any meeting of the company or at any separate meeting of the holders of any class of shares in the company, in respect of the share before being registered as the holder of the share, unless authorised to do so by the board.

**ALTERATION OF SHARE CAPITAL**

**36. SUB-DIVISION**

The company may by ordinary resolution sub-divide its shares, or any of them, into shares of smaller amount provided that none of the shares resulting from the sub-division may have any right, preference or advantage not attached to the shares immediately prior to the sub-division.

**37. FRACTIONS**

Whenever as a result of a consolidation, consolidation and sub-division, or sub-division of shares any members would become entitled to fractions of a share, the board may deal with the fractions as it thinks fit, including by aggregating and selling them or by dealing with them in some other way. The board may sell shares representing fractions to any person (including, subject to the provisions of the Act, the company) and may authorise some person to execute an instrument of transfer of the shares to, or in accordance with the directions of, the purchaser. The transferee shall not be bound

to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity in or invalidity of the proceedings in reference to the sale.

## **GENERAL MEETINGS**

### **38. OMISSION OR NON-RECEIPT OF NOTICE**

The accidental omission to give notice of a meeting to, or the non receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

A member present in person or by proxy at a meeting shall be deemed to have received proper notice of that meeting and, where applicable, of the purpose of that meeting.

### **39. POSTPONEMENT OF GENERAL MEETINGS**

If the board, in its absolute discretion, considers that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time or place specified in the notice calling the general meeting, it may postpone the general meeting to another date, time and place. When a meeting is so postponed, notice of the date, time and place of the postponed meeting shall be given to the members. Notice of the business to be transacted at such postponed meeting shall not be required.

## **PROCEEDINGS AT GENERAL MEETINGS**

### **40. QUORUM**

No business shall be transacted at any meeting unless a quorum is present. Two persons entitled to vote upon the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporation, shall be a quorum. If, and for so long as, the company has only one member, that member or the proxy for that member or, where that member is a corporation, its duly authorised representative shall be a quorum at any general meeting of the company or of the holders of any class of shares.

### **41. PROCEDURE IF QUORUM NOT PRESENT**

If such a quorum is not present within half an hour from the time appointed for the meeting, or if during a meeting such a quorum ceases to be present, the meeting shall stand adjourned to the same day in the next week at the same time and place or to such time and place as the board may determine.

### **42. CHAIRMAN OF GENERAL MEETING**

The chairman, if any, of the board or in his absence some other director nominated by the board shall preside as chairman of the meeting, but if neither the chairman nor such other director (if any) be present within fifteen minutes after the time appointed for holding the meeting and willing to act, the directors present shall elect one of their number to be chairman and, if there is only one director present and willing to act, he shall be chairman. If no director is willing to act as chairman, or if no director is present within fifteen minutes after the time appointed for holding the meeting, the members present and entitled to vote shall choose one of their number to be chairman.

### **43. ORDERLY CONDUCT**

The chairman shall take such action as he thinks fit to promote the orderly conduct of the business of the meeting as laid down in the notice of the meeting and the chairman's decision on matters of procedure or arising incidentally from the business of the meeting shall be final as shall be his determination as to whether any matter is of such a nature.

**44. ENTITLEMENT TO ATTEND AND SPEAK**

Each director shall be entitled to attend and speak at any general meeting of the company and at any separate general meeting of the holders of any class of shares in the company. The chairman may invite any person to attend and speak at any general meeting of the company whom the chairman considers to be equipped by knowledge or experience of the company's business to assist in the deliberations of the meeting. In addition, the chairman may invite any person who has been nominated for the purpose by a member, where the chairman is satisfied that such time as the chairman may determine, the member holds any shares in the company as such person's nominee, to attend and, if the chairman considers it appropriate, to speak at any general meeting of the company.

**45. ADJOURNMENTS**

The chairman may, with reasonable cause but without requiring the consent of the meeting (whether or not it has commenced or a quorum is present), adjourn any meeting from time to time and from place to place, but no business shall be transacted at an adjourned meeting other than business which might properly have been transacted at the meeting had the adjournment not taken place. When a meeting is adjourned for fourteen days or more, at least seven clear days' notice shall be given specifying the time and place of the adjourned meeting and the general nature of the business to be transacted. Otherwise it shall not be necessary to give any such notice.

**46. AMENDMENTS RULED OUT OF ORDER**

If an amendment proposed to any resolution under consideration is ruled out of order by the chairman, the proceedings on the resolution shall not be invalidated by any error in the ruling.

**VOTING**

**47. VOTES OF MEMBERS**

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held and to any other provisions of these articles, on a show of hands every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative or by proxy shall have one vote and on a poll every member shall have one vote for every share of which he is the holder. For this purpose, where a proxy is given discretion as to how to vote on a show of hands, this shall be treated as an instruction by the relevant member to vote in the way in which the proxy elects to exercise that discretion.

**48. METHOD OF VOTING**

A resolution put to the vote of a meeting shall be decided on a show of hands unless before, or on the declaration of the result of, the show of hands a poll is duly demanded. Subject to the provisions of the Act, a poll may be demanded -

(A) by the chairman; or

- (B) by at least two members having the right to vote on the resolution; or
- (C) by a member or members representing in the aggregate not less than one tenth of the total voting rights of all the members having the right to vote on the resolution; or
- (D) by a member or members holding shares conferring a right to vote on the resolution being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all the shares conferring that right;

and a demand by a person as proxy for a member shall be the same as a demand by the member.

**49. PROCEDURE IF POLL NOT DEMANDED**

Unless a poll is duly demanded a declaration by the chairman that a resolution has been carried or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

**50. WITHDRAWAL OF DEMAND FOR POLL**

The demand for a poll may, before the poll is taken, be withdrawn but only with the consent of the chairman and a demand so withdrawn shall not be taken to have invalidated the result of a show of hands declared before the demand was made.

**51. PROCEDURE IF POLL DEMANDED**

A poll shall be taken as the chairman directs and he may appoint scrutineers (who need not be members) and fix a time and place for declaring the result of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

**52. WHEN POLL TO BE TAKEN**

A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either forthwith or at such time and place as the chairman directs not being more than thirty days after the poll is demanded. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll was demanded. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made.

**53. NO NOTICE OF POLL**

No notice need be given of a poll not taken forthwith if the time and place at which it is to be taken are announced at the meeting at which it is demanded. In any other case at least seven clear days' notice shall be given specifying the time and place at which the poll is to be taken.

**54. VOTES OF JOINT HOLDERS**

In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and seniority shall be determined by the order in which the names of the holders stand in the register of members.

**55. VOTING ON BEHALF OF INCAPABLE MEMBER**

A member in respect of whom an order has been made by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder may vote and may exercise any other right conferred by membership in relation to general meetings by or through any receiver, curator bonis or other person authorised in that behalf appointed by that court (and that person may vote by proxy). Written evidence to the satisfaction of the board of the authority of the person claiming to exercise the right to vote shall be hand-delivered to the company's registered office, or delivered by such other means (which may include electronic means) as the board may accept, not less than forty eight hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised and in default the right to vote shall not be exercisable.

**56. NO RIGHT TO VOTE WHERE SUMS OVERDUE ON SHARES**

No member shall vote at any general meeting or at any separate meeting of the holders of any class of shares in the company, either in person or by proxy, in respect of any share held by him unless all moneys presently payable by him in respect of that share have been paid.

**57. OBJECTIONS OR ERRORS IN VOTING**

(A) If:-

- (i) any objection shall be raised to the qualification of any voter, or
- (ii) any votes have been counted which ought not to have been counted or which might have been rejected, or
- (iii) any votes are not counted which ought to have been counted,

the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless it is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the chairman and shall only vitiate the decision of the meeting on any resolution if the chairman decides that the same may have affected the decision of the meeting. The decision of the chairman on such matters shall be conclusive.

(B) The company shall not be obliged to ascertain whether a proxy or representative of a corporation has voted in accordance with a member's instructions and the failure of a proxy or representative so to do shall not vitiate the decision of the meeting or adjourned meeting or poll on any resolution.

**PROXIES**

**58. APPOINTMENT OF PROXY**

Votes may be given either personally or by proxy. A member may appoint more than one proxy to attend on the same occasion.

**59. FORM OF PROXY**

An instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor and shall be in the following form (or in a form as near thereto as circumstances allow or in any other form which is usual or which the board may approve)-

"Post Office Limited

I/We, , of ,

being a member/members of the above named company, hereby appoint of , or failing him, of , as my/our proxy to vote in my/our name[s] and on my/our behalf at the general meeting of the company to be held on 20 , and at any adjournment thereof.

Signed on 20 ."

**60. INSTRUCTIONS TO PROXY**

Where it is desired to afford members an opportunity of instructing the proxy how he shall act the instrument appointing a proxy shall be in the following form (or in a form as near thereto as circumstances allow or in any other form which is usual or which the board may approve) -

"Post Office Limited

I/We, , of ,

being a member/members of the above named company, hereby appoint of , or failing him, of , as my/our proxy to vote in my/our name[s] and on my/our behalf at the general meeting of the company to be held on 20 , and at any adjournment thereof.

This form is to be used in respect of the resolutions mentioned below as follows:

Resolution No.1 \*for \*against

Resolution No.2 \*for \*against.

\*Strike out whichever is not desired.

Unless otherwise instructed, the proxy may vote as he thinks fit or abstain from voting.

Signed on 20 ."

## 61. **DELIVERY OF PROXIES**

The instrument appointing a proxy and any authority under which it is executed may be delivered:

- (A) in hard copy form at the office (or such other place in the United Kingdom as may be specified by the company for the receipt of appointments of proxy in hard copy form) to be received not less than 48 hours (or such shorter time as the board may determine) before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote together with (if required by the board) any authority under which it is made or a copy of the authority, certified notarially or in accordance with the Powers of Attorney Act 1971 or in some other manner approved by the board;
- (B) by electronic means, to be received at the address specified by the company for the receipt of appointments of proxy by electronic means not less than 48 hours (or such shorter time as the board may determine) before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote. Any authority pursuant to which such an appointment is made or a copy of the authority, certified notarially or in accordance with the Powers of Attorney Act 1971 or in some other manner approved by the board, must, if required by the board, be received at such address or at the office (or such other place in the United Kingdom as may be specified by the company for the receipt of such documents) not less than 48 hours (or such shorter time as the board may determine) before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote;
- (C) in the case of a poll taken more than 48 hours after it was demanded, to be received as aforesaid not less than 24 hours (or such shorter time as the board may determine) before the time appointed for the taking of the poll;

(D) in the case of a poll taken following the conclusion of a meeting or adjourned meeting but not more than 48 hours after it was demanded, to be received as aforesaid before the end of the meeting at which it was demanded (or at such later time as the board may determine),

and an appointment of a proxy which is not, or in respect of which the authority or copy thereof is not, received in a manner so permitted shall be invalid. When two or more valid but differing appointments of a proxy are received in respect of the same share for use at the same meeting or poll, the one which is last received (regardless of its date or of the date of its signature) shall be treated as replacing and revoking the others as regards that share; if the company is unable to determine which was last received, none of them shall be treated as valid in respect of that share. The appointment of a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned. The proceedings at a general meeting shall not be invalidated where an appointment of a proxy in respect of that meeting is sent in electronic form as provided in these articles, but it cannot be read by the recipient because of a technical problem.

#### **62. CANCELLATION OF PROXY'S AUTHORITY**

A vote given or poll demanded by proxy or by the duly authorised representative of a corporation shall be valid notwithstanding the previous determination of the authority of the person voting or demanding a poll unless notice of the determination was received by the company before the commencement of the meeting or adjourned meeting at which the vote is given or the poll demanded or (in the case of a poll taken otherwise than on the same day as the meeting or adjourned meeting) the time appointed for taking the poll. Such notice of determination shall be received either in hard copy form by the office or such other place within the United Kingdom as may be specified by the company in accordance with article 61(A) or in electronic form at the address (if any) specified by the company in accordance with article 61(B), regardless of whether any relevant proxy appointment was effected in hard copy form or in electronic form.

#### **APPOINTMENT, RETIREMENT AND REMOVAL OF DIRECTORS**

#### **63. NUMBER OF DIRECTORS**

Unless otherwise determined by ordinary resolution and subject to the articles, the number of directors (other than alternate directors) shall not be subject to any maximum but shall be not less than two.

#### **64. ALTERNATE DIRECTORS**

(A) Any director (other than an alternate director) may appoint any other director, or, subject to the articles, any other person approved by the resolution of the board and willing to act, to be an alternate director and may remove from office an alternate director so appointed by him.

(B) An alternate director shall be entitled to receive notice of all meetings of the board and of all meetings of committees of the board of which his appointor is a member, to attend and vote at any such meeting at which the director appointing him is not personally present, and generally to perform all the functions of his appointor as a director in his absence but shall not be entitled to receive any remuneration from the company for his services as an alternate director. But it shall not be necessary to give notice of such a meeting to an alternate director who is absent from the United Kingdom.

(C) An alternate director shall cease to be an alternate director if his appointor ceases to be a director; but, if a director retires but is reappointed or deemed to have been reappointed at

the meeting at which he retires, any appointment of an alternate director made by him which was in force immediately prior to his retirement shall continue after his reappointment.

- (D) Any appointment or removal of an alternate director shall be by notice to the company signed by the director making or revoking the appointment or in any other manner approved by the board.
- (E) Save as otherwise provided in the articles, an alternate director shall be deemed for all purposes to be a director and shall alone be responsible for his own acts and defaults and he shall not be deemed to be the agent of the director appointing him.

#### **65. PERSONS ELIGIBLE AS DIRECTORS**

No person shall be appointed or reappointed a director at any general meeting unless -

- (A) he is recommended by the directors;
- (B) not less than fourteen nor more than thirty-five clear days before the date appointed for the meeting, notice executed by a member qualified to vote at the meeting has been given to the company of the intention to propose that person for appointment or reappointment stating the particulars which would, if he were so appointed or reappointed, be required to be included in the company's register of directors together with notice executed by that person of his willingness to be appointed or reappointed; or
- (C) he is nominated by the Parent.

#### **66. NOTICE OF APPOINTMENT OR REAPPOINTMENT**

Not less than seven nor more than twenty eight clear days before the date appointed for holding a general meeting notice shall be given to all who are entitled to receive notice of the meeting of any person who is recommended by the directors for appointment or reappointment as a director at the meeting or in respect of whom notice has been duly given to the company of the intention to propose him at the meeting for appointment or reappointment as a director. The notice shall give the particulars of that person which would, if he were so appointed or reappointed, be required to be included in the company's register of directors.

#### **67. POWER OF BOARD TO APPOINT DIRECTORS**

Subject to the articles, the board may appoint a person who is willing to act to be a director, either to fill a vacancy or as an additional director, provided that the appointment does not cause the number of directors to exceed any number fixed by or in accordance with the articles as the maximum number of directors. A director so appointed shall hold office only until the next following annual general meeting. If not reappointed at such annual general meeting, he shall vacate office at the conclusion thereof.

## 68. POSITION OF RETIRING DIRECTORS

Subject as aforesaid, a director who retires at an annual general meeting may, if willing to act, be reappointed. If he is not reappointed, he shall retain office until the meeting appoints someone in his place, or if it does not do so, until the end of the meeting, or (if earlier) when a resolution is passed to appoint someone in his place.

## 69. DISQUALIFICATION AND REMOVAL OF DIRECTORS

- (A) Without prejudice to the provisions of the articles and in addition to any power of removal conferred by the Act, the company may, by special resolution, remove any director before the expiry of his period of office and may (subject to these articles) by ordinary resolution appoint another person who is willing to act to be a director in his place.
- (B) The office of a director shall be vacated if -
  - (a) he ceases to be a director by virtue of any provision of the Act or he becomes prohibited by law from being a director; or
  - (b) he becomes bankrupt or makes any arrangement or composition with his creditors generally; or
  - (c) he is, or may be, suffering from mental disorder and either -
    - (i) he is admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 or, in Scotland, an application for admission under the Mental Health (Scotland) Act 1960, or
    - (ii) an order is made by a court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs; or
  - (d) he resigns his office by notice to the company;
  - (e) he is removed pursuant to article 69(A) or article 70; or
  - (f) he shall for more than six consecutive months have been absent without permission of the board from meetings of the board held during that period and the directors resolve that his office be vacated.

If the office of a director is vacated for any reason, he shall cease to be a member of any committee or sub committee of the board.

## 70. APPOINTMENT OF CHAIRMAN AND DIRECTORS

- (A) Chairman

The Special Shareholder shall be entitled from time to time to appoint and remove any person as chairman of the company by notice in writing delivered to the company and signed on behalf of the Special Shareholder.

(B) Directors

The Special Shareholder shall be entitled from time to time to appoint and to remove any person as a director of the company by notice in writing delivered to the company and signed on behalf of the Special Shareholder. The chairman shall be required to consult with and obtain the approval of the Special Shareholder in relation to the appointment and the removal of any person as a director.

### **POWERS OF THE BOARD**

**71. GENERAL POWERS OF COMPANY VESTED IN THE BOARD**

Subject to the provisions of the Act, these articles and to any directions given by the company by special resolution (including without limitation article 11.1), the business of the company shall be managed by the board who may exercise all the powers of the company. No alteration of these articles and no such special resolution shall invalidate any prior act of the board which would have been valid if that alteration had not been made or that resolution had not been passed. The powers given by this article shall not be limited by any special power given to the board by the articles.

**72. STRATEGIC PLAN**

(A) Preparation and approval of Strategic Plan

No later than 31 December each year (or such other time as the Special Shareholder may from time to time agree with the board) the board shall submit to the Special Shareholder a draft Strategic Plan in relation to the group for the following five financial years, complying with the principles set out in article 72(C) below.

(B) Consultation with the Special Shareholder

(a) Further information

Within 10 business days (or such other time as the Special Shareholder may from time to time agree with the board) following receipt by the Special Shareholder of the draft Strategic Plan pursuant to article 72(A) above, the Special Shareholder shall be entitled to request such further information as may reasonably be necessary in order for it to reach an informed view as to the content, reasonableness and prudence of the draft Strategic Plan. The board shall, in so far as it is able to do so, comply with any such request within 10 business days of its receipt (or such other time as the Special Shareholder may from time to time agree with the board).

(b) Consultation

Following the receipt by the Special Shareholder of the draft Strategic Plan pursuant to article 72(A) above, and, as appropriate, any further information supplied pursuant to article 72(B)(a) above, the Special Shareholder and the board shall promptly consult upon the content of the plan (such consultation period to end no later than 20 Business Days (or such other time as the Special Shareholder may from time to time agree with the board) after receipt by the Special Shareholder of the draft Strategic Plan and further information provided pursuant to article 72(B)(a) as the case may be).

(c) Approval

The Special Shareholder shall within 20 Business days (or such other time as the Special Shareholder may from time to time agree with the board) of the end of the consultation period referred to in article 72(B)(b) above, approve the Strategic Plan, subject to such qualifications as the Special Shareholder may determine, or shall inform the board of its reasons for not approving the Strategic Plan, in which event the Special Shareholder shall request that the board prepare a new Strategic Plan to be submitted to the Special Shareholder within such time as shall be agreed with the Special Shareholder and in respect of which the provisions of this article 72 shall apply (mutatis mutandis).

(d) Amendments to the Strategic Plan

The board may from time to time request any changes to be made to any Strategic Plan approved by the Special Shareholder. Any such request shall be made to the Special Shareholder. The Special Shareholder may request further information and consult with the board about the proposed change in accordance with articles 72(B)(a) and (b) above, and shall then approve (or reject) the change in accordance with article 72(B)(c).

(C) Principles Governing the Strategic Plan

(a) Fundamental Objectives:

The Strategic Plan shall:

- (i) clearly set out the group's objectives and contain such information as can reasonably be expected to enable the Special Shareholder to give consideration to the strategic direction of the group's activities; and
- (ii) provide targets, expressed in terms of both cashflow and accounting rate of return and sufficient other financial information in order to enable the Special Shareholder to set the group's profit target and dividend floor and consider the framework of the group's borrowings.

(b) In particular the Strategic Plan shall:

- (i) include a statement of the overall commercial direction and goals of the group;
- (ii) summarise the way in which it has evolved from the previous Strategic Plan, including a high level evaluation of the value added by the new Strategic Plan;
- (iii) analyse the commercial and regulatory environment in which the group operates, including the board's view of the way in which the market is evolving and the development of competitors' activities;
- (iv) set out the group's strategic response to the commercial and regulatory environment, including:
  - (1) its principal strategic options;

- (2) its proposals for meeting the universal service obligation;
- (3) its proposals for managing the nationwide network of post offices;
- (4) the key issues to be resolved in the Strategic Plan for the following financial year;
- (5) its strategic approach to remuneration of employees, including an expected ceiling on the aggregate level of employee remuneration;
- (6) the resources needed, in particular personnel, technology and funding;
- (7) its high level financial and performance projections, at both the corporate and line-of-business level, with sensitivity analyses of the major risks;
- (8) outline possibilities and plans for entering into partnerships and alliances;
- (9) clear performance indicators which will enable the group's performance, in achieving its strategic objectives, to be measured; and
- (10) any proposals for entering into relevant transactions or for making any substantial alterations in the nature of the business carried on by any member of the group.

(D) **Quarterly Information and Performance**

The board shall prepare and discuss each quarter progress reports of the group's performance in relation to the Strategic Plan, and at the end of each quarter submit to the Special Shareholder its assessment of the group's performance in comparison with the Strategic Plan.

(E) **Variations from Strategic Plan**

If the information provided pursuant to article 72(D) above demonstrates a significant departure from the Strategic Plan, the board shall prepare a revised Strategic Plan for the remainder of the relevant financial year and the following four years which shall be submitted to the Special Shareholder within such time as shall be agreed with the Special Shareholder. The provisions of article 72(B)(d) above shall apply to such revised Strategic Plan.

(F) **Effect of Approval of Strategic Plan**

The approval of any Strategic Plan shall be deemed to be an approval of any matter within that Strategic Plan which would have required approval in accordance with article 11.1 if such matter is specifically identified with reasonable detail in that Strategic Plan as being proposed for approval in accordance with that aforementioned article.

**73. BORROWING POWERS**

The board may exercise all the powers of the company to borrow and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the company, but subject to the restrictions contained in the articles.

**74. APPOINTMENT OF AGENT**

The board may, by power of attorney or otherwise, appoint any person to be the agent of the company for such purposes and on such conditions as it determine, including authority for the agent to delegate all or any of his powers.

**75. POWER TO PROVIDE FOR EMPLOYEES**

The board may by resolution exercise any power conferred by the Act to make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or the transfer to any person of the whole or part of the undertaking of the company or that subsidiary.

**76. POWER TO RECEIVE UNCALLED MONEYS**

The board may, if it thinks fit, receive from any member willing to advance the same all or any part of the moneys uncalled and remaining unpaid on any shares held by him.

**77. DELEGATION OF THE BOARD'S POWERS**

The board may delegate any of its powers to any committee consisting of one or more directors with power to sub-delegate. It may also delegate to any managing director or any director holding any other executive office such of its powers as it considers desirable to be exercised by him. Any such delegation may be made subject to any conditions the board may impose, and either collaterally with or to the exclusion of its own powers and may be revoked or altered. Subject to any such conditions, the proceedings of a committee with two or more members shall be governed by the articles regulating the proceedings of the board so far as they are capable of applying.

**REMUNERATION OF DIRECTORS**

**78. DIRECTORS' FEES**

Subject to the articles, each of the directors shall be paid a fee at such rate as may from time to time be determined by the board provided that the aggregate of all fees so paid to directors (excluding amounts payable under any other provision of these articles) shall not exceed £400,000 per annum or such higher amount as may from time to time be decided by ordinary resolution of the company.

**79. ADDITIONAL REMUNERATION**

Subject to the articles, any director who performs services which in the opinion of the board or any committee authorised by the board go beyond the ordinary duties of a director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board or any committee authorised by the board may in its discretion decide in addition to any remuneration provided for by or pursuant to any other article.

**80. DIRECTORS' EXPENSES**

The directors may be paid all travelling, hotel, and other expenses properly incurred by them in connection with their attendance at board meetings or committees of directors or general meetings or separate meetings of the holders of any class of shares or of debentures of the company or otherwise in connection with the discharge of their duties.

### **DIRECTORS' APPOINTMENTS AND INTERESTS**

#### **81. MANAGING DIRECTOR AND EXECUTIVE OFFICE**

Subject to the provisions of the Act and the articles, the directors may appoint one or more of their number to the office of managing director or to any other executive office under the company and may enter into an agreement or arrangement with any director for his employment by the company or for the provision by him of any services outside the scope of the ordinary duties of a director. Any such appointment, agreement or arrangement may be made upon such terms as the directors determine and they may remunerate any such director for his services as they think fit. Any appointment of a director to an executive office shall terminate if he ceases to be a director but without prejudice to any claim to damages for breach of the contract of service between the director and the company.

#### **82. CONFLICTS OF INTEREST REQUIRING BOARD AUTHORISATION**

(A) The board may, subject to the quorum and voting requirements set out in this article, authorise any matter which would otherwise involve a director breaching his duty under the Act to avoid conflicts of interest (a "Conflict").

A director seeking authorisation in respect of a Conflict shall declare to the board the nature and extent of his interest in that Conflict as soon as is reasonably practicable. The director shall provide the board with such details of the relevant matter as are necessary for the board to decide how to address the Conflict together with such additional information as may be requested by the board.

Any director (including the relevant director) may propose that the relevant director be authorised in relation to any matter the subject of a Conflict. Such proposal and any authority given by the board shall be effected in the same way that any other matter may be proposed to and resolved upon by the board under the provisions of these articles save that:

the relevant director and any other director with a similar interest shall not count towards the quorum nor vote on any resolution giving such authority; and

the relevant director and any other director with a similar interest may, if the other members of the board so decide, be excluded from any board meeting while the Conflict is under consideration.

Where the board gives authority in relation to a Conflict:

the board may (whether at the time of giving the authority or subsequently) (a) require that the relevant director is excluded from the receipt of information, the participation in discussion and/or the making of decisions (whether at meetings of the board or otherwise) related to the Conflict; and (b) impose upon the relevant director such other terms for the purpose of dealing with the Conflict as it may determine;

the relevant director will be obliged to conduct himself in accordance with any terms imposed by the board in relation to the Conflict;

the board may provide that where the relevant director obtains (otherwise than through his position as a director of the company) information that is confidential to a third party, the director will not be obliged to disclose that information to the company, or to use or apply the information in relation to the company's affairs, where to do so would amount to a breach of that confidence;

the terms of the authority shall be recorded in writing (but the authority shall be effective whether or not the terms are so recorded); and

the board may revoke or vary such authority at any time but this will not affect anything done by the relevant director prior to such revocation or variation in accordance with the terms of such authority.

### **83. OTHER CONFLICTS OF INTEREST**

- (A) If a director is in any way directly or indirectly interested in a proposed contract with the company or a contract that has been entered into by the company, he must declare the nature and extent of that interest to the directors in accordance with the Act.
- (B) Provided he has declared his interest in accordance with article 83(A) a director may:
  - (i) be party to, or otherwise interested in, any contract with the company or in which the company has a direct or indirect interest;
  - (ii) hold any other office or place of profit with the company (except that of auditor) in conjunction with his office of director for such period and upon such terms, including as to remuneration, as the board may decide;
  - (iii) act by himself or through a firm with which he is associated in a professional capacity for the company or any other company in which the company may be interested (otherwise than as auditor);
  - (iv) be or become a director or other officer of, or employed by or otherwise be interested in any holding company or subsidiary company of the company or any other company in which the company may be interested; and
  - (v) be or become a director of any other company in which the company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as a director of that other company.
- (C) A director shall not, by reason of his office or of the fiduciary relationship thereby established be liable to account to the company for any remuneration, profit or other benefit realised by reason of his having any type of interest authorised under article 82(A) or permitted under article 83(B) and no contract shall be liable to be avoided on the grounds of a director having any type of interest authorised under article 82(A) or permitted under article 83(B).

## **DIRECTORS' GRATUITIES AND PENSIONS**

### **84. DIRECTORS' GRATUITIES AND PENSIONS**

Subject to the articles, the board may exercise all the powers of the company to provide benefits, either by the payment of gratuities or pensions or by insurance or in any other manner whether similar to the foregoing or not, for any director or former director or the relations, connections or dependants of any director or former director who holds or has held any executive office or employment with the company or with any body corporate which is or has been a subsidiary of the company or with a predecessor in business of the company or of any such body corporate and may contribute to any fund and pay premiums for the purchase or provision of any such benefit. No director or former director shall be accountable to the company or the members for any benefit provided pursuant to this article and the receipt of any such benefit shall not disqualify any person from being or becoming a director of the company.

## **PROCEEDINGS OF DIRECTORS**

### **85. BOARD MEETINGS**

Subject to the provisions of the articles, the board may regulate its proceedings as it thinks fit. A director may, and the secretary at the request of a director shall, call a meeting of the board.

### **86. NOTICE**

Notice of a meeting of the board shall be deemed to be properly given to a director if it is given to him personally or by word of mouth or sent in writing to him at his last known address or any other address given by him to the company for this purpose, or by any other means authorised in writing by the director concerned. Notice shall be given in this manner to all directors including any director who is for the time being absent from the United Kingdom. A director may waive notice of any meeting either prospectively or retrospectively.

### **87. VOTING**

Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote. A director who is also an alternate director shall be entitled in the absence of his appointor to a separate vote on behalf of his appointor in addition to his own vote.

### **88. QUORUM**

The quorum for the transaction of the business of the board may be fixed by the board and unless so fixed at any other number shall be two. A person who holds office only as an alternate director shall, if his appointor is not present, be counted in the quorum.

### **89. DIRECTORS BELOW MINIMUM THROUGH VACANCIES**

The continuing directors or a sole continuing director may act notwithstanding any vacancies in their number, but, if the number of directors is less than the number fixed as the quorum, the continuing directors or director may act only for the purpose of filling vacancies or of calling a general meeting.

### **90. CHAIRMAN**

The chairman shall be the person appointed pursuant to article 70. In the absence of such appointment the directors may (subject to article 11) appoint one of their number to be the chairman of the board and may at any time remove him from that office. Unless he is unwilling to do so, the chairman shall preside at every meeting of the board at which he is present. But if there is no director holding that office, or if the director holding it is unwilling to preside or if the chairman is not present within five minutes after the time appointed for the meeting, the directors present may appoint one of their number to be chairman of the meeting.

#### **91. VALIDITY OF ACTS OF BOARD OR COMMITTEE**

All acts done by the board, or by a committee of directors, or by a person acting as a director or member of a committee shall, notwithstanding that it be afterwards discovered that there was a defect in the appointment of any director or member of a committee or person so acting or that any of them were disqualified from holding office, or had vacated office, or were not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a director or member of the committee and had been entitled to vote.

#### **92. RESOLUTION IN WRITING**

A resolution in writing signed by all the directors entitled to receive notice of a meeting of the board (if that number is sufficient to constitute a quorum) or by all the members of a committee of directors shall be as valid and effectual as if it had been passed at a board meeting or (as the case may be) a committee of directors duly convened and held and may consist of several documents in the like form each signed by one or more directors; but a resolution signed by an alternate director need not also be signed by his appointor and, if it is signed by a director who has appointed an alternate director, it need not be signed by the alternate director in that capacity.

#### **93. PARTICIPATION IN BOARD MEETINGS BY TELEPHONE**

All or any of the members of the board or any committee of the board may participate in a board meeting or that committee by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participating is assembled, or, if there is no such group, where the chairman of the meeting then is.

#### **94. PERMITTED INTERESTS AND VOTING**

- (A) Save as otherwise provided by the articles, a director shall not vote at a meeting of the board or of a committee of directors on any resolution concerning a matter in which he has, directly or indirectly, an interest or duty unless that interest or duty cannot reasonably be regarded as likely to give rise to a conflict of interest or his interest or duty arises only because the case falls within one or more of the following paragraphs -
  - (a) the resolution relates to the giving to him of a guarantee, security, or indemnity in respect of money lent to, or an obligation incurred by him for the benefit of, the company or any of its subsidiaries; and/or
  - (b) the resolution relates to the giving to a third party of a guarantee, security, or indemnity in respect of an obligation of the company or any of its subsidiaries for

which the director has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security; and/or

- (c) his interest arises by virtue of his subscribing or agreeing to subscribe for any shares, debentures or other securities of the company or any of its subsidiaries, or by virtue of his being, or intending to become, a participant in the underwriting or sub underwriting of an offer of any such shares, debentures, or other securities by the company or any of its subsidiaries for subscription, purchase or exchange; and/or
- (d) the resolution relates in any way to a retirement benefits scheme which has been approved, or is conditional upon approval, by the HM Revenue and Customs for taxation purposes.

For the purposes of this article, in relation to an alternate director, an interest of his appointor shall be treated as an interest of the alternate director without prejudice to any interest which the alternate director has otherwise.

- (B) A director shall not be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote.
- (C) The company may by ordinary resolution suspend or relax to any extent, either generally or in respect of any particular matter, any provision of the articles prohibiting a director from voting at a meeting of the board or of a committee of directors.
- (D) Where proposals are under consideration concerning the appointment of two or more directors to offices or employments with the company or any body corporate in which the company is interested the proposals may be divided and considered in relation to each director separately and (provided he is not for another reason precluded from voting) each of the directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.
- (E) If a question arises at a meeting of the board or of a committee of directors as to the right of a director to vote, the question may, before the conclusion of the meeting, be referred to the chairman of the meeting and his ruling in relation to any director other than himself shall be final and conclusive.

#### **SECRETARY**

##### **95. APPOINTMENT AND REMOVAL OF COMPANY SECRETARY**

Subject to the provisions of the Act, the secretary shall be appointed by the directors for such term, at such remuneration and upon such conditions as they may think fit; and any secretary so appointed may be removed by them.

#### **MINUTES**

##### **96. KEEPING OF MINUTES**

The directors shall cause minutes to be made in books kept for the purpose -

- (A) of all appointments of officers made by the directors; and

(B) of all proceedings at meetings of the company, of the holders of any class of shares in the company, and of the board, and of committees of directors, including the names of the directors present at each such meeting.

## **DIVIDENDS**

### **97. DECLARATION OF DIVIDENDS**

Subject to the provisions of the Act and the articles, the company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the board.

### **98. PAYMENT OF INTERIM AND FIXED DIVIDENDS BY BOARD**

Subject to the provisions of the Act and the articles, the board may pay interim dividends if it appears to it that they are justified by the profits of the company available for distribution. If the share capital is divided into different classes, the board may pay interim dividends on shares which confer deferred or non preferred rights with regard to dividend as well as on shares which confer preferential rights with regard to dividend, but no interim dividend shall be paid on shares carrying deferred or non preferred rights if, at the time of payment, any preferential dividend is in arrear. The board may also pay at intervals settled by them any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment. Provided the directors act in good faith they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non preferred rights.

### **99. CALCULATION OF DIVIDENDS**

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid but no outstanding amount paid up on a share in advance of the applicable call date shall be treated for the purposes of this article as paid up on the share. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; but, if any share is issued on terms provided that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

### **100. DIVIDENDS NOT IN CASH**

Without prejudice to article 98 above, a general meeting declaring a dividend may, upon the recommendation of the board, direct that it shall be satisfied wholly or partly by the distribution of assets and, where any difficulty arises in regard to the distribution, the board may settle the same and in particular may issue fractional certificates and fix the value for distribution of any assets and may determine that cash shall be paid to any member upon the footing of the value so fixed in order to adjust the rights of members and may vest any assets in trustees.

### **101. PAYMENT OF DIVIDENDS**

Any dividend or other moneys payable in respect of a share may be paid by cheque sent by post to the registered address of the person entitled or, if two or more persons are the holders of the share or are jointly entitled to it by reason of the death or bankruptcy of the holder, to the registered address of that one of those persons who is first named in the register of members or to such person and to such address as the person or persons entitled may in writing direct. Every cheque shall be

made payable to the order of the person or persons entitled or to such other person as the person or persons entitled may in writing direct and payment of the cheque shall be a good discharge to the company. Any joint holder or other person jointly entitled to a share as aforesaid may give receipts for any dividend or other moneys payable in respect of the share.

**102. NO INTEREST ON DIVIDENDS**

No dividend or other moneys payable in respect of a share shall bear interest against the company unless otherwise provided by the rights attached to the share.

**103. AMOUNTS DUE ON SHARES MAY BE DEDUCTED FROM DIVIDENDS**

The board may deduct from any dividend or other moneys payable to a member by the company on or in respect of any shares all sums of money (if any) presently payable by him to the company on account of calls or otherwise in respect of shares of the company.

**104. FORFEITURE OF UNCLAIMED DIVIDENDS**

Any dividend which has remained unclaimed for twelve years from the date when it became due for payment shall, if the directors so resolve, be forfeited and cease to remain owing by the company.

**ACCOUNTS**

**105. RECORDS TO BE KEPT**

The board shall cause to be kept accounting records sufficient to show and explain the company's transactions, and such as to disclose with reasonable accuracy at any time the financial position of the company at that time, and which accord with the Act.

**CAPITALISATION OF PROFITS**

**106. POWER TO CAPITALISE RESERVES AND FUNDS**

The board may with the authority of an ordinary resolution of the company -

- (A) subject as hereinafter provided, resolve to capitalise any undivided profits of the company not required for paying any preferential dividend (whether or not they are available for distribution) or any sum standing to the credit of the company's share premium account or capital redemption reserve (including retained earnings);
- (B) appropriate the sum resolved to be capitalised to the members who would have been entitled to it if it were distributed by way of dividend and in the same proportions and apply such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by them respectively, or in paying up in full shares or debentures of the company of a nominal amount equal to that sum, and allot the shares or debentures credited as fully paid to those members, or as they may direct, in those proportions, or partly in one way and partly in the other; but the share premium account, the capital redemption reserve, retained earnings and any profits which are not available for distribution may, for the purposes of this article, only be applied in paying up shares that are then to be allotted and distributed to members credited as fully paid;

- (C) resolve that any shares so allotted to any member in respect of a holding by him of any partly paid shares shall so long as such shares remain partly paid rank for dividend only to the extent that the latter shares rank for dividend;
- (D) make such provision by the issue of fractional certificates or by payment in cash or otherwise as they determine in the case of shares or debentures becoming distributable under this article in fractions; and
- (E) authorise any person to enter on behalf of all the members concerned into an agreement with the company providing for the allotment to them respectively, credited as fully paid, of any shares or debentures to which they are entitled upon such capitalisation, any agreement made under such authority being binding on all such members.

#### **RECORD DATES**

##### **107. RECORD DATES**

Notwithstanding any other provision of these articles, but without prejudice to the rights attached to any shares, the company or the directors may fix a date as the record date by reference to which a dividend will be declared or paid or a distribution, allotment or issue made, and that date may be before, on or after the date on which the dividend, distribution, allotment or issue is declared, paid or made. Where such a record date is fixed, references in these articles to a holder of shares or member to whom a dividend is to be paid or a distribution, allotment or issue is to be made shall be construed accordingly.

#### **NOTICES**

##### **108. NOTICES IN WRITING**

Any notice to be given to or by any person pursuant to the articles shall be in writing except that a notice calling a meeting of the board need not be in writing.

##### **109. SERVICE OF NOTICES**

Subject to the articles, the company may give any notice to a member either personally, by post in a prepaid envelope addressed to the member at his registered address or by leaving it at that address or such other means (which may include electronic means) to which the member has provided (and not revoked) its written consent for the receipt of such notices. In the case of joint holders of a share, all notices shall be given to the joint holder whose name stands first in the register of members in respect of the joint holding and notice so given shall be sufficient notice to all the joint holders. A member whose registered address is not within the United Kingdom and who gives to the company an address within the United Kingdom at which notices may be given to him shall be entitled to have notices given to him at that address, but otherwise no such member shall be entitled to receive any notice from the company.

##### **110. DEEMED RECEIPT OF NOTICE BY MEMBERS PRESENT AT MEETING**

A member present, either in person or by proxy, at any meeting of the company or of the holders of any class of shares in the company shall be deemed to have received notice of the meeting and, where requisite, of the purposes for which it was called.

##### **111. SHAREHOLDERS BOUND BY NOTICE**

Every person who becomes entitled to a share shall be bound by any notice in respect of that share which, before his name is entered in the register of members, has been duly given to a person from whom he derives his title.

**112. TIME OF SERVICE**

- (A) Any notice, document or other information, if served, sent or supplied by the company by post, shall be deemed to have been received on the day following that on which it was posted if first class post was used or 48 hours after it was posted if first class post was not used and, in proving that a notice, document or other information was served, sent or supplied, it shall be sufficient to prove that the notice, document or other information was properly addressed, prepaid and put in the post.
- (B) Any notice, document or other information not served, sent or supplied by post but left by the company at a registered address or at an address (other than an address for the purposes of communications by electronic means) notified to the company in accordance with these articles by a person who is entitled by transmission to a share shall be deemed to have been received on the day it was so left.
- (C) Any notice, document or other information served, sent or supplied by the company using electronic means shall be deemed to have been received on the day on which it was sent notwithstanding that the company subsequently sends a hard copy of such notice, document or information by post. In proving that a notice, document or other information served, sent or supplied by electronic means was served, sent or supplied, it shall be sufficient to prove that it was properly addressed.
- (D) Any notice, document or other information served, sent or supplied by the company by any other means authorised in writing by the member concerned shall be deemed to have been received when the company has carried out the action it has been authorised to take for that purpose.

**113. SERVICE OF NOTICE ON PERSON ENTITLED BY TRANSMISSION**

A notice may be given by the company to the persons entitled to a share in consequence of the death or bankruptcy of a member by sending or delivering it, in any manner authorised by the articles for the giving of notice to a member, addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt or by any like description at the address, if any, within the United Kingdom supplied for that purpose by the persons claiming to be so entitled. Until such an address has been supplied, a notice may be given in any manner in which it might have been given if the death or bankruptcy had not occurred.

**WINDING UP**

**114. DISTRIBUTION OF ASSETS OTHERWISE THAN IN CASH**

If the company is wound up, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Act, divide among the members in specie the whole or any part of the assets of the company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he with the like sanction determines, but no member shall be compelled to accept any assets upon which there is a liability.

## INDEMNITY

### 115. INDEMNITY OF DIRECTORS

To the extent permitted by the Act, the company may indemnify any director, former director or company secretary of the company against any liability and may purchase and maintain for any director, former director or company secretary of the company insurance against any liability. No director or former director or company secretary of the company shall be accountable to the company or the members for any benefit provided pursuant to this article and the receipt of any such benefit shall not disqualify any person from being or becoming a director of the company.

## PROVISIONS RELATING TO ARTICLES 10 AND 11

### 116. ARTICLES SUBJECT TO RELEVANT LAW

- (A) Nothing contained in articles 10 and 11 shall have effect so as to require the company or any of the directors to (i) take any action; (ii) omit to take any action; or (iii) procure that any subsidiary of the company takes or omits to take any action which action or omission would, in the reasonable opinion of the board of the company or of such subsidiary, give rise to criminal or civil liability on the part of the company, such subsidiary or any of the directors of the company or such subsidiary, or any liability on any of the aforesaid for breach of any statutory or common law duty or requirement (for the purposes of this article 116, a "relevant breach").
- (B) If a relevant breach is capable of ratification by the shareholders of the company or subsidiary concerned, and such ratification would have the effect of removing or avoiding the consequences of the relevant breach (insofar as such consequences affect or would affect the company or subsidiary or any of their respective directors), then subject to the shareholders concerned providing a written undertaking to the company or subsidiary, as the case may be, that the requisite ratification will be provided, the action or omission which would (but for ratification), have given rise to the relevant breach shall be effected or, as the case may be, procured by the company as though this article 116 did not apply in relation thereto.
- (C) For the purposes of this article 116, the "reasonable opinion of the board" in relation to a matter shall mean the reasonable opinion of the board of directors of the company or subsidiary concerned, having (i) as soon as is reasonably practicable taken and having had due regard to appropriate legal and/or financial advice, (ii) following the receipt of such advice, having promptly provided the same to the Special Shareholder and consulted with the Special Shareholder in relation to the said advice, and to the formation of the board's opinion on the relevant matter, and having had due regard to the views (if any) of the Special Shareholder notified to it in relation thereto, and (iii) where the Special Shareholder gives notice under article 116(D), having had due regard to the independent advice consequently received and having consulted the Special Shareholder in relation thereto.
- (D) If in any case where the company or the directors seek to rely upon article 116(A) in respect of any matter, the Special Shareholder has within 7 days of receipt of legal and/or financial advice pursuant to article 116(C) notified the company that it requires independent advice to be taken in relation to the relevant matter(s) from an independent legal and/or financial adviser approved by the Special Shareholder, such advice to be addressed to the company, its directors and the Special Shareholder, the company shall (i) obtain such advice and (ii) (subject to article 116(A)) not take any decision or action in relation to the relevant matter,

until such advice shall have been obtained and the board shall have consulted the Special Shareholder in relation thereto.

- (E) Nothing in this article 116 shall fetter any statutory power, or remove or alter any obligation imposed on any person by statute.