

Post Office Limited – Strictly Confidential

POLB 15(4th)
POLB 15/69 – 15/84

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

Minutes of a Board meeting held at 9.00am on 15 July 2015
at 20 Finsbury Street, London EC2Y 9AQ

Present:

Alice Perkins	Chairman
Richard Callard	Non-Executive Director
Alisdair Cameron	Chief Financial Officer
Tim Franklin	Non-Executive Director
Virginia Holmes	Non-Executive Director
Alasdair Marnoch	Non-Executive Director
Neil McCausland	Non-Executive Director
Paula Vennells	Chief Executive

In Attendance:

Alwen Lyons	Company Secretary
Martin Edwards	Head of Strategy and Corporate Planning (minute 15/72)
David Hussey	Business Transformation Director (minute 15/73)
Mark Davies	Director, Communications & Corporate Affairs (minute 15/73)
Nick Kennett	CEO, Post Office Management Services Limited (POMS) (minute 15/74)
Geoff Smyth	Head of Telecommunication (minute 15/75)
Martin George	Commercial Director (minute 15/75)
Kevin Gilliland	Network Sales Director (minute 15/76)
Roger Gale	General Manager Crowns (minute 15/76)
Tom Parkin	Crown Transformation Programme manager (minute 15/76)

POLB 15/69

INTRODUCTION

- (a) A quorum being present, the Chairman opened the meeting.

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CEO'S REPORT

- (a) The CEO recognised that this Board meeting would be the last for Alice Perkins, who was stepping down from her role as Chairman, and Alasdair Marnoch, who was stepping down from his role as a NED and Chair of the Audit Committee. She thanked them both on behalf of herself and the Business for their support, challenge and hard work during their time with the Post Office.
- (b) The CEO introduced her report and focused on the following key areas:

GRO

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GRO

ACTION:
Company Secretary

Sparrow. The CEO updated the Board on Sparrow and a meeting taking place between the Minister and some of the MPs involved. The CEO explained that 40 cases had now disengaged with the process and that they would be written to with a final date by which they needed to agree to commence mediation. The CCRC were likely to revert on the criminal cases by December. The Chairman thanked the CEO for a briefing on Sparrow received for her meeting with the Minister and asked for it to be circulated to the Board.

GRO

ACTION:
Mark Davies

Blast Films. The CEO reported that the three episode series on the Post Office was thought to be starting on 29th July BBC2 at 9pm. The confirmed schedule would be circulated to the Board. She explained that Mark Davies had seen two of the episodes and was unhappy with some issues of accuracy and tone, but was working with Blast to resolve as many of the areas as possible. The CEO recognised that areas of the programme would be challenging.

- (c) Having taken all of the discussion issues into account, the Board noted the CEO's report.

POLB 15/71

FINANCIAL PERFORMANCE UPDATE

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GRO

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GRO

POLB 15/72

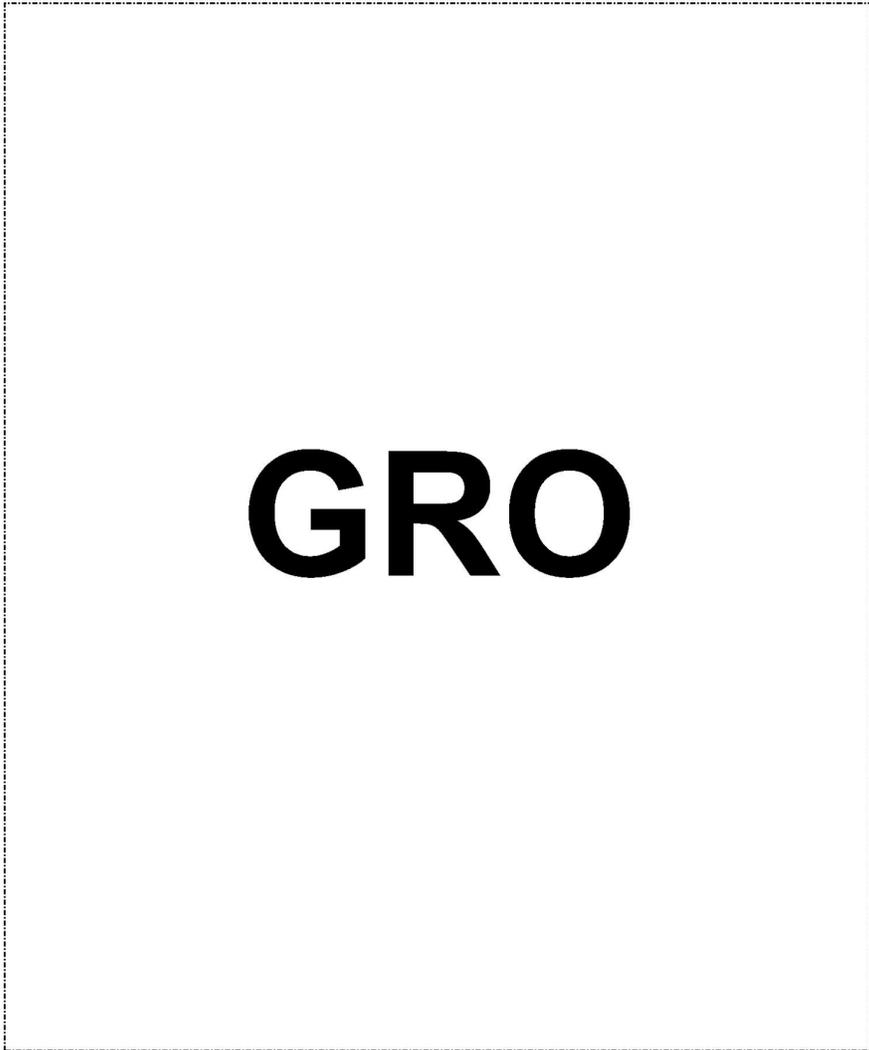
SIGN OFF - THREE YEAR PLAN

GRO

**ACTION:
CFO**

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ACTION:
CFO/Company
Secretary



GRO

POLB 15/73

TRANSFORMATION NARRATIVE - VISION

- (a) The Chairman welcomed Mark Davies, Director, Communications & Corporate Affairs and David Hussey, Business Transformation Director, to the meeting.
- (b) Mark Davies introduced the Vision and explained the work which had taken place including the critical role played by the Post Office Advisory Council (POCA) in developing the final statement. The Board challenged whether the business could determine whether it was a 'force for good' and 'unique' but the CEO explained that the vision was an internal document and that many people had joined the business because of these qualities.
- (c) David Hussey stressed the importance of communication in building confidence to deliver the transformation. That was why the Business had written the transformation narrative and launched it on the 6th July pointing out that it was 1000 days to March 2018.

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The narrative resonated well with the Board who supported the proposed approach.

- (d) The Board noted the Post Office's Vision Statement and transformation narrative, its place within the business' wider mission and values infrastructure, and the proposed delivery approach as presented.
- (e) The Board asked Mark Davies about the BBC Blast documentary. Mark Davies explained that he had only seen 2 of the 3 programmes and had challenged quite a few things in the ones he had seen. On balance he still thought it was the right things to do, but acknowledged that although there were a lot of good messages the Business would find some of the footage difficult.
- (f) Mark Davies and David Hussey left the meeting.

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ACTION:
Nick Kennett/CFO

Irrelevant

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POLB 15/75

Irrelevant

ACTION:
Geoff Smyth

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ACTION:
Geoff Smyth/CFO

Irrelevant

POLB 15/76

CROWNS STRATEGY

- (a) The Chairman welcomed Kevin Gilliland, Network Sales Director, Roger Gale, Crown General Manager and Tom Parkin, Crown Transformation Programme Manager to the meeting.
- (b) The Chairman asked for an update on Network Transformation and Kevin Gilliland explained that the remaining 1500 branches had now been sent letters explaining the options available to them under network transformation, with a deadline of 1st December to engage with the process. The options offered are to; convert to a new model; take 26 months compensation (providing the business can find a replacement); or lose their fixed pay.
- (c) Kevin Gilliland introduced the Crown paper explaining the analysis that had been undertaken to categorise the Crown branches into Star Performers, Cash Cows, Strategic Essentials and Problem Branches. He explained that branches would have an individual plan to help optimise their contribution to the network.
- (d) The Board asked if the Crown P&L presented in the paper included the costs for Financial Specialist and Kevin Gilliland assured them that it did.
- (e) The Board discussed the options for the 4 categories of branch and the attributes of a Crown compared to those of a Main. Kevin Gilliland explained that the desired end state was to have no remaining problem branches; to have solutions for those branches which were strategically essential but currently unprofitable; to develop the star performers and to consider the best commercial future for the cash cows.
- (f) The Board challenged the logic of converting a cash cow to a franchise contract and Kevin Gilliland explained that he would consider franchising a cash cow if its profitability could be sufficiently improved under the Mains model to generate a

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substantial 3 year payback. He stressed that the importance of analysing each individual non-strategic branch to decide on the best return for the Business.

- (g) The Board asked if the Business believed that the Financial Services Specialists (FSS) model could be effective in large Mains or franchised branches such as WH Smiths. Kevin Gilliland explained that the further rollout of FS and Mortgage Specialists had been put on hold until the existing cohort was selling effectively. The CEO recognised the importance of strong visible branding for sites offering FS consultation.
- (h) Kevin Gilliland stressed his support for the flagship branches and their importance for the brand and the business, including the opening of new greenfield sites if the conditions were right. He emphasised that the flagships needed to cut costs and grow income especially in FS.
- (i) The Board asked how it could best support the programme and it was agreed that Kevin Gilliland would work with Richard Callard and ShEx to explore the relationship with Consumer Focus (Citizens Advice Bureau) to understand the additional costs of their regulation and how they might be reduced in line with Government's focus on deregulation.
- (j) Having taken all of the relevant issues into account, the Board:
 - Noted the three-year Crown network strategy as presented;
 - Noted that the strategy was consistent with the work being undertaken to assess a potential strategic partnership with WH Smith.
 - Noted that the strategy called for up to 66 Crown branches to be franchised or closed over the next three financial years and that in the event of closures, remaining customer demand would instead be serviced through upgrading existing, or introducing new, agency branches in the surrounding areas.
 - Resolved to accept the recommendation of the Group Executive to invest up to £52m over the next three financial years in order to deliver the strategy, under the newly mobilised Crown Network Development Programme (CNDP).
- (k) Kevin Gilliland acknowledged that this was the Chairman and Alasdair Marnoch's last meeting and thanked them for their support and resolve which had been invaluable in delivering both Network and Crown Transformation.
- (l) Kevin Gilliland, Roger Gale and Tom Parkin left the meeting.

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MINUTES OF THE PREVIOUS MEETING AND MATTERS ARISING

- (a) Minutes
The minutes of the Board meeting held on 21 May 2015 and the extraordinary Board meetings held on 18 June 2015 and 2 July

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2015 were approved for signature by the Chairman.

POLB 15/78 (b) There were no matters arising.

COMMITTEE MEETING MINUTES FOR NOTING

(a) The Board noted the minutes of the meeting of the Financial Services Committee held on 11 March 2015, the Pensions Committee held on 11 March 2015, the Annual Report Sub-Committee held on 1 July 2015, the Remuneration Committee held on 13 May 2015 and the Nomination Committee held on 13 May 2015.

POLB 15/79 **STATUS REPORT**

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

POLB 15/80 **AWAYDAY ACTIONS REPORT**

(a) The away day Actions report was noted.

POLB 15/81 **ITEMS FOR NOTING**

ACTION:
Mark Ellis

(a) The Board noted the Health and Safety report. The Board asked for a note explaining the reason why body armour was not used by the Supply Chain.

(b) The Board noted the Report on Sealings and resolved that the affixing of the Common Seal of the Company to the documents set out against items numbered 1311 to 1330 inclusive in the seal register was hereby confirmed.

POLB 15/82 **ANY OTHER BUSINESS**

ACTION:
Tim Franklin

(a) POAC
Tim Franklin, Chairman of POAC reported that the Council had met on the 1st July and that there continued to be good levels of engagement. He thanked Alice Perkins for attending the meeting and for her reflections on her time as Chairman and the potential challenges Post Office would face in the coming years. Tim Franklin explained that the next meeting in November would be held at Google and invited other Board member to attend in the future, to that end he promised to circulate the agenda once it was available.

(b) BOARD CHANGES
The Chairman updated the Board on the announcement of Tim Parker as the new Chairman who would take up the role on 1st October 2015, confirmed her own leaving date as 31st July 2015 and thanked Neil McCausland for agreeing to take on the role in the interim period.

The Chairman reported that Alasdair Marnoch would leave

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the Board on the 31st July 2015 and thanked him for his time as a Non-Executive Director and Chair of the Audit Committee.

ACTION:
Company Secretary

The Chairman asked the Company Secretary to make the necessary filing at Companies House to register the changes.

The Chairman explained that the process was underway to find the Chair of Audit replacement with the agreed shortlist being interviewed by Russell Reynolds before Tim Parker and Virginia Holmes would interview the chosen candidates. Russell Reynolds were also leading the search for the new SID.

(c)

POMS CHAIR OF AUDIT

The Chairman reported that a preferred candidate, Amanda Bowe, had been found as a prospective Non-Executive Director of POMS. The Nomination Committee had satisfied itself that Ms Bowe was an appropriate candidate and recommended her appointment.

It was noted that any appointment would require the consent of the Board pursuant to article 4.3(U) of POMS' articles of association.

Having considered the recommendation of the committee, the Board resolved to grant the consent required for Ms Bowe's appointment and authorised the Company Secretary to sign a written consent to that effect on behalf of the Board.

ACTION:
Company Secretary

(d)

CIO RESIGNATION

The Board discussed the resignation of Lesley Sewell, CIO, and the increased risk to the IT transformation. Neil McCausland explained that this had been discussed at the Nominations Committee and the Remuneration Committee and that it had been agreed to bring in an interim CIO to be in place by the end of the summer.

POLB 15/83

FORWARD AGENDA TOPICS

(a) The forward agenda to May 2016 was noted and approved, the Board asked that the cyber security update be provided on a quarterly basis.

POLB 15/84

DATE OF THE NEXT MEETING

(a) It was noted that the next Board meeting would be on 22 September 2015.

GRO

Chairman

22nd September 2015
Date