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GROUP EXECUTIVE				Reference: GE 13/05/2016
Date: 13/05/2016		Venue: Finsbury Dials		Time: 09.30
Present:		In Attendance		Apologies
Paula Vennells	(PV)	Tom Wechsler	(TW)	None
Alisdair Cameron	(AC)	Mark Davies	(MD)	
Neil Hayward	(NH)	Aidan Alston	(AA)	
Kevin Gilliland	(KG)	Jonathan Cormack	(JC)	
Jane MacLeod	(JM)	Dave Carter	(DC)	
Martin George	(MG)	Kevin Seller	(KS)	
David Hussey	(DH)	Martin Edwards	(ME)	
Alwen Lyons	(AL)	Julie Thomas	(JT)	
Nick Kennett	(NK)			
Agenda Item 1				
GE Minutes and Action Log				
Purpose				
To agree the minutes and review the action log.				
Discussion				
<ul style="list-style-type: none">Corporate memory- There is a check list in place to ensure effective hand over before people leave the business. NH to circulate for discussion at Monday GE, in the context of Business Continuity and retaining corporate memory.IRIS – briefing material for colleagues, supper briefers, GE and Board prepared. Going ahead on the 17th May				
Outcomes				
The GE agreed the following actions: <ul style="list-style-type: none">Minutes agreedATOS performance paper to be circulated by AC to close an existing action.Cheque imaging no budget in place, holding back awaiting industry decision. Action closedNH to circulate for discussion at Monday GE, in the context of Business Continuity and retaining corporate memory.MD to circulate material to GE				AC 27/5 NH 27/5 MD 16/7
Agenda Item 2				
Talent, Succession Planning, Retention, Performance and Engagement				
Purpose				
To review GE and GE-1 Succession Plans.				
Discussion				
JC & AA joined the meeting 2015/16 Bonus Structure <ul style="list-style-type: none">NH explained that it was too late to change the bonus process for 2015/16 and that that the overall size of bonuses were driven by the bonus budget pot.AC pointed out that this had increased by £7m since the previous year.NK explained that he had a specific issue in his area and would work with NH to see if a solution was available within the current structureIt was agreed that a small pot of money would be set aside as a CEO award to top up bonuses for exceptional performance. Talent <ul style="list-style-type: none">Notes of discussion taken by AA. AA to follow session with 121's with each GE member to agree way forward for people on the succession plan AA & JC left the meeting				
Outcomes				
The GE agreed the following actions: <ul style="list-style-type: none">GE to let NH know of any people who might qualify for a CEO award, recognising that this would be for exceptional performance				ALL 20/5

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<ul style="list-style-type: none"> Circulate the Sales Directors CV to the GE 	KG 20/5
Agenda Item 3	
Annual Report and Accounts	
Purpose	
To receive the most up to date version of the report and accounts before it is submitted to ARC.	
Discussion	
<p>DC joined the meeting</p> <ul style="list-style-type: none"> ARA will be published in early July with sign off by the ARC at the end of June. Need to ensure that there is enough time post the year end to complete the necessary reconciliations EY have an issue on POMS current value which is being discussed, although they are happy at a Group level. EBITDAS likely to land around the (£24m) mark which will trigger the LTIP. Significant year on year improvement in EBITDAS. Going Concern agreed, although long term sustainability still uncertain so capital expenditure is still written off in the year EBITDAS achieved (£24m) because of exceptionals underlying profitability outturn (£34m), underlying year on year trend (£32m) explained in section 8 of the briefing book. HAWK goodwill taken below the line in POL, still need agreement on the impairment in the POMS accounts. <p>UK Corporate Governance Code</p> <ul style="list-style-type: none"> When POL was set up a statement was made in the ARA that it complied with the Code, but as the Code has tightened over last 2 year the ARA stated that POL complied with 'the spirit of the Code'. After debate at the ARC & Board we are now no longer referring to the spirit of the Code. EY have identified areas which can be amended in light of this decision. – no segmented accounts; reduced Directors remuneration disclosure, reduced governance and risk sections. The ARA has been rewritten and will be discussed at the ARC. The front half now looks unbalanced. Comments: has it been future proofed; do not close down the need for future government investment as we may need investment funding; nothing about the USP (including cash) or customers; play up what is unique; Banking framework only mentioned in one place; make sure cover cashflow effectively. The Chairman has taken out all reference to Crowns but because of the transformation Crowns are included in CEO section Build on message that need to get beyond breakeven to become cash generative. Building profitability and sustainability. GE to provide any further comments to Mike Granville <p>DC left the meeting</p>	
Outcomes	
<p>The GE agreed the following actions:</p> <ul style="list-style-type: none"> AC to brief NK on the POMS goodwill, to enable a briefing and decision at the POMS Board Provide any comments on the ARA front half to Mike Granville Provide some words on banking framework to be included in the ARA CEO report AC to agree cashflow words with PV KG to check if building sustainability is coming through strongly enough in the narrative – building profitability an sustainability not breaking even 	<p>AC/NK 16/5</p> <p>ALL 20/5</p> <p>NK 20/5</p> <p>AC 20/5</p> <p>KG 20/5</p>
Agenda Item 4	
Strategy – Network / Crown	
Purpose	
Update Pre-Board	
Discussion	
<p>JT, KS & ME joined the meeting</p> <ul style="list-style-type: none"> Paper to update the Board on the strategy before the June Away Day. KPMG modelling and budget numbers still to come, but the paper updates the options including the radical option for Crowns, which could deliver an additional £18m EBITDAS. Assumptions around central cost reduction, MTFs and continued retailer appetite for conversions have been included. The strategy has to align with StRN with more automation (smaller footprint SSKs), and a simpler model. <p>GE questions & input</p>	

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- Need to include the practical reality alongside the theoretical modelling, to include political/public landscape. Look through that lens and recognise the complexity.
- What are the assumptions around staff costs? If we reduce staff costs would we keep more Crowns? Number of branches may sit around the tipping point and a different cost base may lead to a different decision.
- KG we have approached by looking at optimising profit and even a profitable crown could be more profitable as a franchise.
- What do we know about successful Crowns why are they trading well? Any best of the best examples?
- Nervousness about the effect on income from Retail, Government Services, Telephony, Photome.
- Are we convinced we could not find a joint solution with the CWU?
- Are we making decisions on the numbers and delivery risk or do we have any strategic benefits of having Crowns, any philosophical reason to need them
- Draw out for the Board the political noise likely to happen, especially around urban deprived branches
- Challenge around the timing of the paper to the Board, as the work is not finished
- How will be manage issues in London, mails capacity and USO obligation.
- If we are reducing to 50-100 why not move to a full agency network?
- How do we know we are not selling the family silver, could anything make crowns profitable?
- Are we sure automation will work, how have we moved on since the Post & Go machine in Ludgate Circus

Response from the Network Team

- Will draw out the political landscape in the paper, aware how painful it will be, need to decide if the £18m prize is worth the pain. That is why there needs to be a Board discussion to understand their appetite for any change. Also need to understand the timing and Government's appetite for 'pain' in the run up to an election.
- Need to put Crowns and ownership into the network strategy and understand alongside StRN. At the moment relatively ambiguous about the ownership. KPMG are looking at overheads to help understand what drives costs into the Business, and the effect of Crown branches.
- We are investigating if there is brand benefit to having Crowns, after Paddington there will 227 Crowns; 97 lose money, 129 would be more profitable as franchises. So are Crowns worth the additional costs.
- Recognise that the income in some areas will reduce and this is included in the projections along with a 20% drop in turnover, although currently this has reduced down to 10% loss through customers not moving to the new branch.
- Assumptions on the effect on products will available w/c 16/5 which should help understand what makes a Crown important.
- Property and people costs make the case for Crowns very difficult, are we prepared to sacrifice £18m?
- Do we have any areas like London where we do not have a choice?
- The Board will be asked to consider the value of owning part of the network, and the questions and issues, including the pain of any changes. Is the value of an owned network more than £18m?
- Why is it difficult to make the argument politically? Led by the CWU as 'downgrading', historically seen as diminishing a town if it did not have a Crown post office, privatisation by the back door. Need to bring the emotion out in the Board paper.
- If we are moving to an agency only network what are the plans for FS, and any other contracts which require a Crown, how do we manage London
- 15 biggest loss making offices in London, which need a solution. These are big mails branches, need to be mindful of how RMG will respond to any proposed solution.
- Paper needs to start with the customer proposition and then consider ownership.
- Difficult issue for the CWU. Could share with them the rational for the future size and shape, but they are unlikely to agree with the conclusions.
- Should explain the strategic direction to both unions; explain the economics; make an offer to look for compromises.
- Need to consider PO Money shops, and trial a few to see if the concept works
- Self-service Kiosks are now much more reliable than the original Post & Go machines, could install card only kiosks in host retailers
- Challenge of whether we are selling the family silver, can we out a price on the value we are would to pay to keep the Crowns
- Network Team looking at levers to reduce the 6 year payback period, including reducing property costs and MTFS.
- MTFS is a contractual obligation, only 2 options; 1 serve notice on agreement, 2 ignore & issue new contracts of employment.

JT & KS left the meeting

Outcomes

The GE agreed the following actions:

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| <ul style="list-style-type: none"> • KG and the team to take the input from the discussion and amend the strategy paper for the Board • NK and KG to consider a PO Money shop trial. | <p>KG/KS 17/5</p> <p>NK/KG July</p> |
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Agenda Item 5	
Follow up on GE Away Day	
Purpose	
To review next steps and action points from the meeting	
Discussion	
<ul style="list-style-type: none"> Strategic topics for discussion at June away day have been agreed. After away day possible conference call first week of July to agree an opening position on funding to be shared informally with Government, before the summer recess. IT strategy will come to the July Board. Financial and Operational plan to September Board Funding in October signed off in November The shape of the funding will be shared with the GE on the 6th June, subgroup set up to work on the Funding, Martin to invite Henk and Mark Siviter. Mike Morley Fletcher invited to weekly meetings to ensure that risk and risk appetite are included in the discussions. Make sure we are not using the current risk appetite to constrain the thinking, need unconstrained thinking and then to flag up where this is not in line with risk appetite. Transformation risk champion also involved in the meetings Present a sense of the choices at the GE on the 6th June for a working session Need to include identity Strategy as part of June debate Tim Parker has asked that we include branch sustainability as part of the June work; a health check on the Network; to understand the economics of the branches; when and how many are likely to fall over if we take remuneration decisions (TAP); should we have retail offer to sell them as part of the franchise; could we own or partner with a symbol group. 	
Outcomes	
<p>The GE agreed the following actions:</p> <ul style="list-style-type: none"> Invite representatives from Commercial and FS onto the Funding subgroup. Present a sense of the choices at the GE on the 6th June for a working session Provide a list of accountable actions to each GE member so that they understand what they and their teams need to deliver and by what date Include identity Strategy as part of June debate GE to go back to their teams to ensure they understand what they need to deliver for June Martin to flag up any concerns about delivery to the GE member concerned Include branch sustainability as part of the June work; a health check on the Network; to understand the economics of the branches; when and how many are likely to fall over if we take remuneration decisions (TAP); should we have retail offer to sell them as part of the franchise; could we own or partner with a symbol group. Look at retailer services and acquirer services as part of the work <p>ME left the meeting</p>	<p>ME 20/5 ME 6/6 ME 20/5</p> <p>ME 6/6 ALL 20/5 ME 20/5</p> <p>ME 6/6</p>
Agenda Item 6	
AOB	
Purpose	
6.1 Health and Safety Report 6.2 Flexible Holidays 6.3 Apprenticeships	
Discussion	
AOB Pensions. Information circulated to the GE, who have been invited to the Pensions deep dive on the 24 th May. Sparrow. JM gave a verbal update on the Sparrow litigation	
Outcomes	
The GE agreed the following actions: 6.1 Health & Safety on the June agenda 6.2 DECISION: the recommendations in the Flexible Holiday paper were agreed. Rejection of the option to enable colleagues to sell holiday. Agreement to increase the number of	

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days of leave which can be carried over leave from 5 to 10 days, which must be taken by the end of June the following year.

6.3 Apprentices paper – noted