

Post Office Limited – Strictly Confidential

POLB 15(6<sup>th</sup>)  
POLB 15/101 – 15/109

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

Minutes of a Board meeting held at 9.30am on 28 October 2015  
at 20 Finsbury Street, London EC2Y 9AQ

**Present:**

Tim Parker	Chairman
Paula Vennells	Chief Executive
Richard Callard	Non-Executive Director
Tim Franklin	Non-Executive Director
Virginia Holmes	Non-Executive Director
Alisdair Cameron	Chief Financial Officer

**In Attendance:**

Alwen Lyons	Company Secretary
Martin George	Commercial Director (Minute 15/103)
Mark Siviter	Head of Mails (Minute 15/103)
Martin Edwards	Head of Strategy & Corporate Planning (Minute 15/103 & 15/107)
Kevin Gilliland	Network & Sales Director (Minute 15/107)

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**POLB 15/101**

**INTRODUCTION**

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

**POLB 15/102**

**CEO'S REPORT**

- (a) The CEO introduced her report and focused on the following key areas:
- (b) Project Hawk was now complete and the CEO thanked the Board for its support in delivering the Post Office Management Services (POMS) insurance business.
- (c) The Crown P&L run rate, on the agreed accounting treatment, had reached breakeven at the end of the half year and was forecasting to achieve a full breakeven run rate by the end of the financial year.
- (d) There had been a number of Distributed Denial of Service (DDoS) attacks on the Post Office website, with 3 in the last 6 weeks. The CEO assured the Board that the response to these attacks was being managed effectively and all major suppliers had been alerted to ensure they also had robust plans in place. Deloitte had been engaged to carry out a review of cyber security.

**ACTION:  
CFO**

The CFO would ensure that the business received assurance statements from all major suppliers, for which it acted as a portal, that they had robust DDoS plans in place.

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- (e) The CFO gave an update on the CIO and Head of Sales recruitment. A preferred candidate had been identified for the CIO role and a decision would be made within the next week.

**ACTION:**  
Neil Hayward

**The Group People Director was asked to circulate a note on the Head of Sales recruitment.**

- (f) The Board discussed Christmas plans and the CEO explained the constraints on the marketing budget which had led to a more targeted approach.

**ACTION:**  
Martin George

**The Board asked for a comparison between the overall marketing spend of the Business' and its competitors.**

- (g) The CEO was asked if the business had contingency in place for losing the Transformation Director. It was acknowledged that since joining the Business David Hussey had recruited a strong team, but would be significant loss if he left. Business Transformation was the main topic on the Board agenda in November.
- (h) The Board discussed the Fujitsu (FJ) contract extension and the risk in the plan to move to a new IT provider.

**ACTION:**  
CFO

**The Board asked for a detailed update on FJ and the Front Office procurement at the next Board meeting.**

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

**POLB 15/103**

**MAILS**

- (a) The Chairman welcomed Martin George, Commercial Director, Mark Siviter, Head of Mails, and Martin Edwards, Head of Strategy & Corporate Planning to the meeting.
- (b) The Board discussed the Mails performance and the drivers for growth in the market. It was acknowledged that the relationship with Royal Mail Group (RMG) had improved but that Post Office remained in a relatively weak bargaining position for both product decisions and contract renegotiation. The Board were concerned that there was no compulsion on RMG to negotiate.
- (c) Mark Siviter explained the PwC review underway to analyse compliance to the existing RMG contract. This would highlight any areas of risk, which could be rectified, and areas which might give the Post Office leverage in the negotiations.
- (d) The Board asked that the Executive consider the mails proposition from the perspective of the sub-postmaster and what work a branch would want to provide including collection and delivery from multiple carriers. It was recognised that the proposed acquisition of a parcels integrator could help to introduce new carriers, but that more work was needed to understand if the Business had the capability to monetise such an acquisition. The importance of the role of the regulator was noted.

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**ACTION:**  
Martin George

**A full assessment on the Mails Acquisition and a further update on RMG negotiation would be presented to the Board in January.**

- (e) Having taken all of the discussion issues into account, the Board noted the Mails Strategy update.
- (f) Martin Edwards, Martin George and Mark Siviter left the meeting.

**POLB 15/104**

**FINANCIAL PERFORMANCE INCLUDING POMS**

- (a) The CFO introduced the Interim Report and Condensed Financial Statements. He recognised the good year on year progress highlighted in the Interim Report, but stressed the challenges that the Business faced in the second half of the year. The Board agreed that the report was too optimistic and needed to highlight the challenges to growing the revenue line.

**ACTION:**  
CEO

**It was agreed that the CEO would redraft the Interim Report for review by the Chairman, to reflect the challenges in the second half of the year.**

- (b) The CFO reported an incorrect provision in the accounts for Network Transformation (NT) and that a reconciliation exercise was underway to establish the correct position. The Board asked why this error had not been identified by the NT internal audit, carried out 2 years ago. The Board stressed the seriousness of the error and the need for consequences for the people involved.
- (c) The CFO explained that a new Financial Controller was now in place and he was accountable for all the financial reporting.

**ACTION:**  
CFO

**The CFO noted that a report was due to the November ARC on the internal financial controls, following his comments in May.**

**ACTION:**  
CFO

**The Board asked the CFO to ensure that the error did not impact the results or the cash position.**

- (d) Having taken all of the discussion issues into account, the Board noted the performance in the year to date against plan.

**POLB 15/105**

**MINUTES OF THE PREVIOUS BOARD AND COMMITTEE MEETINGS AND STATUS REPORT**

- (a) **Minutes**  
The minutes of the meeting of the Board held on 22 September 2015 were approved as accurate records and the Chairman was authorised to sign them.
- (b) **Status Report**  
The Status Report, showing matters outstanding from previous Board meetings, was noted.

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**ACTION:** The New Starter Attrition update was noted and a further  
Neil Hayward update requested for the March Board.

POLB 15/106

## ITEMS FOR NOTING

- (a) 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 1346 to 1361 inclusive in the seal register was hereby confirmed
- (b) The Board noted the resignation of Alisdair Cameron from the Post Office Management Services Limited (POMS) Board and the appointment of Rob Clarkson to the POMS board, both with effect from 30<sup>th</sup> October 2015.

POLB 15/107

## PUBLIC CONSULTATION ON OUR SOCIAL PURPOSE

- (a) The Chairman welcomed Martin Edwards, Strategy Director, and Kevin Gilliland, Network & Sales Director, to the meeting.
- (b) Martin Edwards explained the purpose for the BIS public consultation on the Post Office due to take place in December 2015, and its relevance to the European Commission and state aid.

**ACTION:**  
Martin Edwards

The Board asked Martin Edwards to circulate the current Accenture market report on European Postal administrations.

- (c) The Board discussed the products included in the Services of General Economic Interest (SGEI) definition and how they could best be delivered to small communities. Kevin Gilliland explained SGEI provision as protecting customers by providing convenient access to distress purchases, including cash; utility payment and postal services.
- (d) The economics of providing services through a village shop with a retail offer, a village Post Office with no retail offer, a Mobile Post Office and an ATM were considered. The Board noted the additional social value provided by a Post Office hosted in a genuine retail hub, and agreed that this should be the preferred operating model in rural areas where it is a viable option.

**ACTION:**  
Martin Edwards

The Board asked for an analysis of ATM economics including the cost of servicing and holding the cash.

- (e) It was agreed that, whilst a subsidy existed for the uneconomic branches, having a minimum network target of 11500 was advantageous for the Business. It showed a commitment to retaining branches. However more flexibility to relocate some branches to new locations would enable the Post Office to align with the retail hub of a community.

**ACTION:**  
Martin Edwards/  
Richard Callard

The Board asked the Executive to work with Richard Callard's team at ShEx to optimise the questions in the public consultation as set out in the paper. But to also test public



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opinion on:

- SGEI products, including the importance of posting and collecting of parcels;
- the alternative branch operating models to support the delivery of these services;
- the importance of the Post Office for small and medium sized enterprises.

(f) Kevin Gilliland and Martin Edwards left the meeting.

POLB 15/108

#### ANY OTHER BUSINESS

(a) The Notes Circulation Scheme was discussed. After due consideration of all the circumstances and on being satisfied that it is for the benefit of the Company and in the interests of the Company for the purpose of carrying on its business to enter into a loan agreement between the Company and The Royal Bank of Scotland plc (the Agreement) in respect of facilities of up to

- £400,000,000, comprising an intra-day facility;
- £350,000,000, comprising an overnight NRF facility; and
- £1,000,000, comprising a collateral facility

from The Royal Bank of Scotland plc (the Bank) in the form now produced, and incorporating the Bank's LIBOR Loan Terms, it WAS RESOLVED that Paula Vennells (CEO), Alisdair Cameron (CFO) and/or Alwen Lyons (Company Secretary) (or any combination of them as required) be authorised to sign on behalf of the Company the Agreement and any other documents required by the Bank in connection with the Agreement.

(b) The Board discussed the proposed delegated authorities and debated whether the authorities had been set at the right level.

**ACTION:**  
General Counsel/  
Chairman

**The Chairman asked for General Counsel to provide further information on the number of contracts being signed at the levels proposed and any benchmark data available from other organisations, especially ShEx Businesses.**

(c) The Board agreed that until the new Chairman of the Audit and Risk Committee (ARC) was in place that the Board Chairman would attend the ARC and take on the role as interim Chairman of ARC.

(d) The Chairman announced that the CEO had been offered a Non-Executive Director role on the Board of Wm Morrison Supermarkets plc.. The appointment had been discussed and agreed at the Nomination Committee. The Board joined the Chairman in congratulating the CEO.

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POLB 15/109

**DATE OF THE NEXT MEETING**

- (a) It was noted that the next meeting of the Board would be on 25 November 2015.

**Tim Parker**

Chairman

Date