

**Post Office Limited – Strictly Confidential**

POLB(11)5<sup>th</sup>  
POLB11/23-37

**Post Office Limited**  
(company no. 2154540)  
**Minutes of the meeting of the Board of Directors**  
**held at 148 Old Street, London EC1V 9HQ on 4<sup>th</sup> July 2011**

**Present:**

Donald Brydon	Chairman, Royal Mail Holdings plc
Matthew Lester	Chief Finance Officer, Royal Mail Group
Les Owen	Non Executive Director, Royal Mail Holdings plc
(by telephone	
Items 11/23-29)	
Paula Vennells	Managing Director, Post Office Ltd

**In attendance:**

Susan Crichton	Company Secretary, Post Office Ltd (resigned at meeting)
Sarah Hall	Financial Controller, Post Office Ltd
Alwen Lyons	Company Secretary, Post Office Ltd (ratified at meeting)
Jon Millidge	Company Secretary, Royal Mail Group
Martin Moran	Commercial Director, Post Office Ltd

**POLB11/23**

**MINUTES OF PREVIOUS MEETINGS**

- (a) The minutes of the meeting of 9 May 2011 were agreed;
- (b) the minutes of the meeting of 27 May 2011 were amended: POLB11/2(c) to delete “would include representation for the auditors” with this amendment the minutes were agreed;
- (c) the minutes of the POFS/FRES Board, the Accounts Sub-Committee (15 June), POL Board (14 March), POL Board (17 May) were all noted.

**POLB11/24**

**MATTERS ARISING**

- (a) The Chairman updated the Board on the appointment of the new Chairman, which would hopefully be concluded by the end of the week, as they were in the last stages of the process;

**ACTION**  
**Alwen Lyons**

- (b) the Board noted the resignation of Mike Moores and David Smith and the Chairman asked for all necessary paperwork to be completed;

**ACTION**  
**Susan Crichton**

- (c) 

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**POLB11/25**

**HEALTH & SAFETY REPORT**

**ACTION:  
Paula Vennells**

- (a) The Board noted the report and asked for benchmarking statistics and commentary to be included in future reports. The Chairman asked that we ensure the benchmarking is relevant. Paula Vennells assured the Board that it was robust with supply chain using the Cash in Transit industry benchmark;

**ACTION:  
Paula Vennells**

- (b) the Board asked for more details at the next meeting.

**POLB11/26**

**STATUS REPORT – ACTION UPDATE**

**ACTION:  
Martin Moran**

- (a) POL11/9(b) – Irish Government guarantee  
Paula Vennells updated the Board that there appeared to have been no loss of confidence following the change in the Irish Government guarantee. Existing customers had been sent a letter over a year ago when the changes were known and new customers had different terms and conditions highlighted when they purchased the products;

**ACTION:  
Nick Kennett**

- (b) the Chairman asked if there was any evidence of customers reducing their balances to below the new threshold;
- (c) POLB11/13(e)  
Les Owen clarified that he had been available for interviewing Financial Services Director applicants – but had withdrawn from the interviews because of personal knowledge of one of the candidates;
- (d) the Board was notified that Nick Kennett has been appointed and will start on 17 July 2011. The Chairman invited Nick Kennett to the next Board meeting to give an overview of his first impressions of the Financial Services Business;
- (e) POLB11/16(b)  
the Board noted the Travel Money Card paper and Martin Moran explained that the new Travel Money Card could be used to replace existing products such as the Postal Order as part of a wider pre-paid card strategy. The new card was chip and pin enabled and this was why the new card was not provided by the Bank of Ireland as they did not have the appetite to invest in the new technology.

**POLB11/27**

**MANAGING DIRECTOR'S UPDATE**

**ACTION:  
Jon Millidge**

- (a) Paula Vennells advised the Board that Supply Chain negotiations were ongoing. The business had written to colleagues to advise them of the offer and had set up processes to get their feedback. The CWU may undertake a “consultative” ballot;
- (b) Matthew Lester asked for a matrix of all the pay negotiations across the Group to be pulled together. Jon Millidge agreed to ask Peter Walls to undertake the exercise in time for the September Board.

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The Chairman agreed that this would be helpful to look at the risk of arbitrage;

**ACTION:**  
**Alwen Lyons**

- (c) Paula Vennells confirmed that Chris Day would be joining the Business as CFO on 1 August. The Chairman asked that he be formally appointed to the Board at the meeting if the FSA point was covered (POLB11/24(c));

**ACTION:**  
**Alwen Lyons**

- (d) the new Director of Insurance for POFS – Rob Clark, would be invited to present a report on insurance at the October Board;
- (e) Les Owen queried the reporting structure asking if Rob Clark should report to the Financial Services Director of POL. Paula Vennells explained that the future structure was part of the negotiations which were ongoing;

- (f) Consumer Credit Licence: [REDACTED]

**ACTION:**  
**Susan Crichton**

- (g) [REDACTED]

**ACTION:**  
**Jon Millidge**

- (h) Technology: Paula Vennells confirmed that the new POL IT Audit & Control Board would pick up all the issues and actions from the SAS70 audit and that Ernst & Young were not sitting on the Board. Matthew Lester asked if the Audit picked up other systems as well as Horizon. Paula Vennells explained that when the issue came to the last POL Board and the RM ARC it referenced other Group systems as well as Horizon. Jon Millidge to ensure Alex Smith is aware;

**ACTION:**  
**Paula Vennells**

- (i) Matthew Lester asked that they also pick up the Separation issues for technology. Les Owen emphasised that the advantage of asking Fujitsu to comply with SAS70 audits meant that we could rely on those reports. The Board discussed the best way to engage with Fujitsu. Paula Vennells explained that she was meeting them and would raise the issue;

**ACTION:**  
**Mike Young**

- (j) a detailed technology paper to cover these issues to be presented at the next POL Board meeting;

**ACTION:**  
**Kevin Gilliland**

- (k) Network Development: the Board was advised that the Pilots were progressing although there were some issues with the NFSP who were unhappy with the transition agreements and compensation being offered. Paula Vennells suggested that the Board is updated on the Network Transformation programme at the next meeting;

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**ACTION:**  
**Paula Vennells**

- (l) the launch of “The Post Office Story” has already produced some good feedback. There could be a problem with measuring the effect on colleague engagement and satisfaction as the new Group baseline is not due until September, and the POL programme will have been running for 6 months by then. The Chairman suggested Paula Vennells discuss the issue with RM CEO to try to find a more effective solution, as this needs to feed into objectives;
- (m) NS&I Update: Martin Moran confirmed that NS&I are withdrawing all products except Premium Bonds from POL. (Premium Bonds account for 80% of sales.)

**POLB11/28**

(a)

**Irrelevant**

(b)

**POLB11/29**

**TELEPHONY REPORT**

**ACTION:**  
**Martin Moran**

(a)

**Irrelevant**

**ACTION:**  
**Martin Moran**

(b)

**POLB11/30**

(a)

**Irrelevant**

(b)



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Action:  
Martin Moran

(c)

# Irrelevant

POLB11/31

## SEPARATION WORKPLAN

- (a) The Board noted the timeline and milestones for POL Separation;
- (b) the Board noted the risks in the plan. The Chairman explained that in the negotiations, if the parties did not agree on an issue, the governance was to take that to POL MD and RMG CEO and if agreement was still not reached it would go to the Chairman and then on to ShEx, if resolution was still not possible;
- (c) both the Chairman and the Managing Director stated no such issue had arisen to date.

POLB11/32

## STATE AID

- (a) The State Aid paper was noted;
- (b) it was agreed that POL Board could give approval to the full submission electronically as timescales to achieve submission before the EU Commission summer recess were very tight.

ACTION:  
Susan Crichton

POLB11/33

## PROJECT EAGLE UPDATE

- (a) Martin Moran explained that there were two issues outstanding; the on-going income from POFS products and ownership of the insurance business;
- (b) the work will be ready for the Board to consider at the September Board;
- (c) the Chairman is meeting Des Crowley next week. Martin Moran to

ACTION:

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**Martin Moran** provide a paper with key messages;

**ACTION:** (d) the Board agreed that the new Financial Services Director and CFO  
**Martin Moran** need to be engaged with the work as soon as they joins the Business.

**POLB11/34 PAY NEGOTIATIONS (SLP & MANAGERS)**

**ACTION:** (a) The Chairman emphasised that the pay remit needed the approval  
**Paula Vennells** of RMG CEO – to ensure it is aligned with Group strategy;

(b) the Board approved the remit subject to the above;

(c) the Board appointed Paula Vennells and Matthew Lester as the sub-group should the mandate need revisiting.

**POLB11/35 POST OFFICE LIMITED – COMPANY SECRETARY**

**ACTION:** (a) The Board noted the resignation of Susan Crichton as Company  
**Alwen Lyons** Secretary, with effect from 4 July 2011. The Board approved the appointment of Alwen Lyons as Company Secretary, with effect from 4 July 2011;

**ACTION:** (b) the Chairman asked for the new Company Secretary to discuss  
**Alwen Lyons** meeting schedules with the new Chairman. It was suggested that monthly meetings might be necessary from September this year moving to seven per year from April 2012;

**ACTION:** (c) the new Chairman would be appointed to the Board and elected as  
**Alwen Lyons** Chairman at the end of the September meeting.

**POLB11/36 ANY OTHER BUSINESS**

**ACTION:** (a) The ATM paper was noted. The improved terms were welcomed by  
**Martin Moran** the Board, although the paper would have benefitted from competitor/market benchmarking. Martin Moran to supply;

(b) the Chairman questioned whether POL was robust enough in challenging its contracts. Paula Vennells acknowledged that reports which come to the Board should be validated with market analysis and benchmarking;

(c) the next Board Meeting to be advised – first two weeks in September.

**POLB11/37 CLOSE**

(a) There being no other business, the Chairman closed the meeting.