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DAVID MACBRAYNE LIMITED ("DML")
MINUTES of the BOARD MEETING
held on Wednesday 3 February 2021 at 10.30 a.m.
by video/audio conference

[FOISA Status – Exemptions under Section 30 (Prejudice to effective conduct of public affairs) Section 33 (Commercial interests) and Section 36 (Confidentiality)]

Present: D C McGibbon (DMcG) (Chairman)
S M Browell (SMB)
M Comerford (MC)
R Drummond (RD)
S Hagan (SH)
D Mackison (DM)
J Stirling (JS)
A Tait (AT)

In attendance: C Murrie (CM) – Assessor, Transport Scotland
J Ward (JW) – Finance Director
S R Griffin (SRG) – Company Secretary

| Item | | Action |
|-------------|---|---------------|
| 1. | <u>GOVERNANCE</u> | |
| 1.1 | SAFETY MOMENT J Stirling reported that, there having been no ice at home, he had fallen on black ice upon arrival at his local destination which indicated the need to constantly assess surroundings and retain awareness – especially with the familiar e.g. with ropes and mooring on vessels. | |
| 1.2 | APOLOGIES FOR ABSENCE There were no apologies for absence although it was noted that C Wilcock had been scheduled to attend but was now attending a meeting regarding a future new vessel. | |
| 1.3 | DECLARATIONS OF INTEREST There were no declarations of interest in addition to those previously declared which included M Comerford's membership of the Board of the Port of Tyne. He noted that as both the Port of Tyne and Marchwood Port were involved in Freeport bids he would recuse himself from the meeting should this subject be discussed with respect to Solent Gateway Limited. | |
| 1.4 | MINUTES FROM BOARD MEETING OF 18 NOVEMBER 2020 The Minutes of the Board meeting held on 18 November 2020 were APPROVED and the Chairman was AUTHORISED to sign the minutes. | |

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1.5 ACTION LOG

The action log was discussed as follows:-

66.19 AUDIT & RISK COMMITTEE (ARC) – 13 NOVEMBER 2019

It was noted that the Director's Duties Briefing Note had been reviewed by the ARC then circulated to the Board.

Action: S R Griffin to look at the Northern Lighthouse Board Commissioners Handbook for production of something in a similar format. S R Griffin reported that the Conflicts Guidance was currently under review by the ARC. C/fwd.

SRG

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All other actions were complete or closed.

2. CHAIRMAN'S UPDATE

2.1 COVID-19

D McGibbon noted that another national lockdown was underway and this was not an easy situation for CalMac staff.

2.1 BOARD APPOINTMENTS

D McGibbon reported that J Stirling had raised concerns regarding continuity and quorum for the Safety Committee as two of the three members (including the chairman) were due to finish their appointments in July. It had, therefore, been agreed that S M Browell should join the Safety Committee from the next meeting on 18 February 2021. S M Browell confirmed that she had been given access to the Safety Committee papers.

2.2 SCOTTISH GOVERNMENT / TRANSPORT SCOTLAND UPDATE

D McGibbon reported that:

- There had been a debate in Parliament the previous day on the REC Committee report on ferry procurement including the minister's response.
- The CY7 & CY8 Submission was under consideration by Transport Scotland.

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Action: C Murrie would confirm which Minister(s) would be at the 4 March meeting.

CM

At this point L De Wolff joined the meeting.

3. STRATEGIC ITEMS

3.1 **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**

He outlined the key responsibilities of HSQE which were:-

- Incident management
- CMS audits on vessels & support services

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- Port safety inspections
- Ensuring control & integrity of CMS
- Maintaining corporate risk register
- Monitoring of safety & environmental legislation
- Providing of management information

Plus additional responsibilities:

- Waste management
- Ship management
- Environmental reporting
- Facility management
- Emergency & crisis protocols

The perception, however, was that the department was responsible for safety, investigations, supplier audits and risk assessments.

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At this point L De Wolff left the meeting.

4. **ITEMS FOR APPROVAL**

4.1 **POLICY REVIEW**

The Board noted that there were two policies for approval as below:

Parental Bereavement Leave Policy

[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]

RD

Decision

The Board **APPROVED** the Parental Bereavement Leave Policy.

Performance Improvement Policy

[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]

Decision

The Board **APPROVED** the updated Performance Improvement Policy.

5. **BOARD COMMITTEES**

5.1 **AUDIT & RISK COMMITTEE (ARC) – MINUTES OF 11 NOVEMBER 2020**

The Board noted the minutes of the Audit & Risk Committee held on 11 November 2020 and A Tait noted that he had provided a verbal update on this meeting at the November Board. He confirmed that the Crew Certifications Internal Audit Report had been circulated to the Board for information and to the Safety Committee to monitor progress against the actions.

He reported that the new internal auditor, Azets, would officially take over on 1 April and was currently getting up to speed. The current Internal Auditor, PWC, would provide an update on their ongoing audits which included cash handling, resilience, third party infrastructure and incident & near miss reporting as well as the advisory piece on corporate governance. **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**

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5.2 SAFETY COMMITTEE – MINUTES OF 11 NOVEMBER 2020

The Board noted the minutes of the Safety Committee held on 11 November 2020 and J Stirling reported that the Safety Committee would like the organisation to make better use of safety data to influence future vessel and port design in order to design out future incidents e.g. heavy doors causing passenger crush accidents. R Drummond noted that CalMac could request these changes but it was important to be clear on the limits of CalMac's ability to influence vessel design. It was suggested that the safety data on accidents should be provided to CMAL to support any request.

J Stirling reported that it had been agreed that the Board should discuss safety strategy (including forthcoming IMO legislation) and D Mackison advised that he and D McGibbon had agreed that the June Board strategy session should have a safety focus.

Action: J Stirling, the Safety Committee and D Mackison would discuss the Board strategy session in June.

JS/SafetyCo/
DM

[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]

5.3 REMUNERATION COMMITTEE (REMCO) — MINUTES OF 11 NOVEMBER & 16 DECEMBER 2020

The Board noted the minutes circulated previously. S Hagan reported that the 11 November minutes had been reviewed previously by the Board **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**

6. GROUP REPORTS

6.1 GROUP CEO REPORT

The report from D Mackison was noted and he reported as follows:

- CY7 & CY8 Submission – it was noted that Ernst & Young were assessing this for Transport Scotland and due to complete their review by end February.
- Business Development – recruitment of a business development manager was underway.
- Project Neptune (review of Ferry Service Governance Arrangements) – this Transport Scotland project was scheduled to be undertaken between March & September.
- Faulds Park – the lease for the new warehouse facility was complete.

The Board noted the Communications Update Report from S Wilson.

6.2 GROUP FINANCE UPDATE

The Board noted the report from J Ward covering to end December 2020.

6.2.1 Group Profit Performance– end December 2020

J Ward reported that Operating profit was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** with net profit of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** YTD **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** to Plan), key positive variances were:

- Cost efficiencies
- Ports staffing and rostering efficiencies
- IT support expenditure
- Business Initiative Projects delayed due to Covid
- Crew training expenditure deferred

These were offset by increased spend on vessel overhaul.

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[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]

6.2.2 DML Group 20/21 Forecast

The forecast Group Operating Profit was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** with net Group Operating Profit of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** to Plan). J Ward reported that it was anticipated that cost savings would continue and the overhauls programme would finish in line with forecast. R Drummond commented that although the overhaul programme was still underway a great deal of planning work had been undertaken and management were confident it was on track.

6.2.3 Group Balance Sheet

The Group Balance sheet was noted with Net Assets of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** and a group cash balance of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** at 31 December 2020 - a change of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** from March 2020 primarily due to the early payment of subsidy in March.

6.2.4 Group Cashflow Forecast

The opening cash balance in January was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** with a forecast cash balance at FY end of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** (after a **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** payment to Transport Scotland in reconciliation of CY4 subsidy levels). J Ward reported that there was:

[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]

- lower revenue and higher spend on overhauls in winter.
- Cash low point of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** at end April, however it was not anticipated that the bank facility would be required.

A Tait commented positively on the report's new format including the cashflow information and on management's work to keep costs down. R Drummond confirmed that the CHFS Contract recognised the principle of funding under conditions such as Covid **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**. R Drummond confirmed that all training defined by CalMac as mandatory (which was above the regulatory levels) was being carried out and any deferred training would be reviewed under the 21/22 Business Plan. J Ward confirmed that delayed project spend would be spent in due course, however the positive impacts from cost efficiencies on items such as rostering, travel and subsidence and IT support were permanent cost savings. D Mackison commented that budget challenge had been part of 20/21 Business Planning process and the savings had stemmed from that approach.

6.3 GROUP CHANGE EXECUTIVE BOARD UPDATE

The report was noted and D Mackison reported that the first Change Exec Board meeting had been held on 28 January. He reported that the Change function was building momentum with the Continuous Improvement Manager now in place and Change Manager recruitment underway and that he would introduce members of the team at the next Board meeting. There would be KPIs/measurements put in place to validate change programme progress.

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S M Browell, the Board liaison for the Change Board, reported that she was meeting with S Hulme on a monthly basis and encouraging steps were being taken to progress change. D Mackison reported that not all data would be presented on a monthly basis as change progress would not be visible over such a short time period.

D Mackison confirmed that Covid/agile working changes were implicit across all the projects covered by the Change Exec Board and it was noted that a project on working post-Covid (looking at office/home mix, port working etc.) had been approved at the recent Change Board with project progress to be reported to the Change Board. R Drummond updated the Board on progress regarding the crewing project.

6.4 GROUP GROWTH EXECUTIVE BOARD UPDATE

The report was noted and D Mackison reported as follows:

[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]

6.5 [FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]

6.6 RISK REPORT

The Board noted the Risk Report which had been reviewed by the Audit & Risk Committee at its November meeting, with an updated report due to the next Audit & Risk Committee meeting later in the month.

7. ANY OTHER BUSINESS

7.1 CMAL

The Board noted that B Fulton had joined CMAL and that CMAL had appointed a new Finance Director late last year.

7.2 RECRUITMENT OF CHAIRMAN AND NON-EXECUTIVE DIRECTORS

C Murrie confirmed that this was in hand and Transport Scotland would be speaking to the public appointment department shortly.

8. DATE OF NEXT MEETING

Wednesday 31 March 2021 at 10.30 a.m.

Signed:
D C McGibbon, Chairman

Date: