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DAVID MACBRAYNE LIMITED ("DML")
MINUTES of the BOARD MEETING
held on Wednesday 27 May 2020 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
C Wilcock– Transport Scotland
J Beckett (JB) – Finance Director
S R Griffin (SRG) - Company Secretary

Item	Action
1. <u>GOVERNANCE</u>	
1.1 SAFETY MOMENT [FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]	
M Comerford commented that a rail worker and a police officer had both been spat on and subsequently died of Covid-19 and he noted that the new PURE system allowed for violence and aggression incidents to be logged separately and for the business to monitor these.	
1.2 APOLOGIES FOR ABSENCE There were no apologies for absence.	
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).	
1.4 MINUTES FROM BOARD MEETING OF 25 MARCH AND 15 APRIL 2020 J Stirling asked for the comment under 4.2 Safety Committee regarding future meetings to be removed. The Minutes of the Board meeting held on 25 March and 15 April 2020 were APPROVED , subject to the above-noted minor amendment, and the Chairman was AUTHORISED to sign the minutes. [FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]	
1.5 ACTION LOG The action log was discussed as follows:-	

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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. Postponed due to Covid-19 prioritisation. C/fwd.

10.20 STAKEHOLDER MEETINGS WITH MINISTER

A Tait requested that a formal action be added to the log from the Minutes of 22 January as below: It was suggested that communicating with CalMac prior to these meetings to source information for the Minister's briefing rather than for correction of factual information after the meetings would be a more efficient process.

Action: It was agreed that CalMac and Transport Scotland would discuss the best approach. D Mackison reported that this had been deferred due to the Covid-19 pandemic and he would discuss this with Transport Scotland when the time was right. C/fwd.

All other actions were complete, for future meetings or would be covered under Agenda items.

2. CHAIRMAN'S UPDATE

2.1 TRANSPORT SCOTLAND & SCOTTISH GOVERNMENT UPDATE

D McGibbon welcomed C Wilcock and C Murrie to the meeting and C Wilcock confirmed that G Laidlaw would be retiring shortly.

He noted that CalMac had been requested to appear at the Rural Economy & Connectivity Committee online meeting on 10 June 2020 and R Drummond reported that a written submission was being prepared.

Action: R Drummond would circulate the written submission to the REC Committee to the Board. RD

2.2 VICE CHAIRMAN

D McGibbon reported that M Comerford had been appointed Vice Chairman of DML Group and that he had circulated an email to the Board confirming the appointment.

2.3 COMMUNITY BOARD

D McGibbon reported that A Campbell, CalMac Community Board Chairman, had attended the Covid-19 Board Briefing last Friday and had given feedback on community concerns. There would be a Community Board meeting later in the week.

2.4 KILCREGGAN FERRY

D McGibbon reported that the Kilcreggan Ferry operation would come within the CHFS2 Contract from 1 June.

3. STRATEGIC ITEMS

3.1 COVID-19 UPDATE

D Mackison reported that a ministerial statement on transport had been made the previous day with guidance to be issued shortly and relaxation of the lockdown rules anticipated. There was expected to be an appeal to passengers to comply with guidance and a recommendation to wear face masks on all public transport except ferries, however it was noted that CalMac had been working on the assumption that face masks would be recommended on ferries. R Drummond confirmed that the guidance to passengers on face masks would be that they were recommended but not mandated. C Wilcock advised that Scottish Government guidance for ferries would be different as some ferry journeys were overnight although there may be scope for operators to set out individual recommendations. Transport Scotland were aware that this was a phase of uncertainty and travel in & out of the islands would need to be managed carefully. It was noted

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that different approaches maybe taken on different routes and A Campbell's feedback on islands' concerns should be borne in mind.

3.2 **BUSINESS DEVELOPMENT OPPORTUNITY**
[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]

4. **ITEMS FOR APPROVAL**

4.1 **MODERN SLAVERY STATEMENT**

The Board noted the Modern Slavery Statement 2020 which had been reviewed by the Remuneration Committee and was recommended for Board approval. They noted that this was a legal requirement for companies under the Modern Slavery Act 2015 and D Mackison reported that it covered, potentially, every part of the business. S M Browell suggested a tense change under Training to say 'We will continue to provide....' And A Tait asked that the wording regarding a fair wage was checked to confirm it was correct.

Action: D Mackison to ensure that the change and verification requested was carried out.

Decision

The Board **APPROVED**, subject to the above change and verification, the Modern Slavery Statement 2020.

4.2 **POLICY CHANGES**

R Drummond reported that the two Policies, which had been updated to strengthen existing policies, had been reviewed by the Executive Team and would be communicated to the business.

Acceptable Use Policy

S M Browell queried whether 2.10 Special Categories of Data applied to staff only or also customers and R Drummond confirmed that some customer data was collected by the business.

Action: The Policy was to be amended to add wording under 2.10 after 'There are instances when the above special categories of personal data can be processed. These are set out in article 9 of the GDPR.' To say that 'This will ordinarily be carried out by HR'. And under 2.13 to add 'Any other special category personal data' to the categories listed.

Decision

The Board **APPROVED** the Acceptable Use Policy.

Bring Your Own Device Policy

This Policy was noted.

Decision

The Board **APPROVED** the Bring Your Own Device Policy.

5. **BOARD COMMITTEES**

5.1 **AUDIT & RISK COMMITTEE (ARC) – 13 MAY 2020**

The Board noted the draft minutes of the meeting held on 13 May 2020 and A Tait reported that the Annual Report & Accounts were being prepared and the Internal Audit Annual Opinion had been received and was 'Satisfactory with Improvements Required', the second highest level. He reported that the Executive Team had been asked to review the Internal Audit Plan 20/21 for Covid-19 impacts although this review was not to delay work on the Plan. The Internal Audit Re-tender was on track for completion this year.

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The ARC had received and reviewed a full report on Covid-19 risks with the 24 risks identified (1 critical, 11 major, 11 significant and 1 minor pre-mitigation) being reduced to 20 significant and 4 minor post-mitigation and the Committee had been reassured that management were managing the Covid-19 risks well.

A Tait noted that the Crew Certification Internal Audit Review report had not been finalised in time for submission to the ARC and R Drummond confirmed that crew certification tracking remained a manual process with it however Masters had a responsibility to check crew were properly certified. He noted that the IT people project would address the manual process point.

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

5.2 SAFETY COMMITTEE – 13 MAY 2020

The Board noted the draft minutes of the meeting held on 13 May 2020 and J Stirling reported that the Safety Committee (along with the other Committees) had sought and received Board approval to defer annual items such as the Terms of Reference review to allow greater focus on Covid-19. The Safety Committee had reviewed in detail the health & safety and welfare of staff and had been reassured that management were aware of these matters and taking the necessary action. Regulatory relaxations had also been discussed and it had been noted that despite any regulatory relaxations, CalMac retained responsibility as operator for ensuring its vessels were safe and staff competent. Covid-19 impacts on drills and items such as working alone policies had been noted. Under Energy & Carbon the reduction in passenger numbers had negatively impacted the CO2 per passenger km despite there being 50% less fuel used and the KPI would be reviewed for a more appropriate measure.

J Stirling confirmed that the Safety Committee were satisfied with the management response to Covid-19.

5.3 REMUNERATION COMMITTEE (REMCO) –13 MAY 2020

It was noted that the Remuneration Committee minutes had been previously circulated. **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**

6. GROUP REPORTS

6.1 GROUP CEO REPORT

D Mackison reported that R Drummond would represent CalMac at the Rural Economy & Connectivity Committee meeting on 10 June 2020 and this meeting would be seeking information on the response to Covid-19 and all the parties involved would be online together. The information submitted by CalMac would be based on the regular Transport Scotland Covid-19 submissions which had also been provided to Ministers.

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

6.2 GROUP FINANCE UPDATE

The Board noted the report from J Beckett covering to end April 2020 and CY4. **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**

6.2.1 DML Group Financial Results – end April 2020

6.2.1.1 Key Financial Performance Highlights

J Beckett reported as below:

- Operating profit was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** YTD (**[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**)

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the Economy]] against Plan) and Net Group Profit was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** against Plan). **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** Key variances were:

- Grant - **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**
- Vessel Operations **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**– this positive variance was due to timing of crew training and would catch up later in the year.
- Port Operations - **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**
- Support Services **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**– this was due to timing of activities.

J Beckett reported that reforecasting activity should identify trends.

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

6.2.1.3 DML Balance Sheet as at March 17 to March 20

The Board noted the table providing an overview of movements within the DML Balance Sheet across the period end March 17 to end March 20. J Beckett reported that the March 20 balance sheet figures were still in draft. She advised that the impact of IFRS 16 on accounting for leases (which would result in higher exposure in the P&L in terms of depreciation and interest) was still being worked through with the External Auditor.

6.2.2 **CHFS2 Contract Year 4 Performance – Month 7 – April 2020**

6.2.2.1 Key Highlights

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

It was noted that under the CHFS2 Contract a revised basecase was required for CY7 and CY8 by September and this work would commence shortly, with C Wilcock confirming that Transport Scotland would also be preparing for this shortly. It was also noted that there was a contract break opportunity for Transport Scotland as part of this contract requirement.

6.2.2.2 Contract Variations (CVs) & Funding Update – Covid-19

This was noted.

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

7. **ANY OTHER BUSINESS**

There was no other business.

8. **DATE OF NEXT MEETING**

Wednesday 29 July 2020 at 10.30 a.m.

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Signed:

D C McGibbon, Chairman

Date: