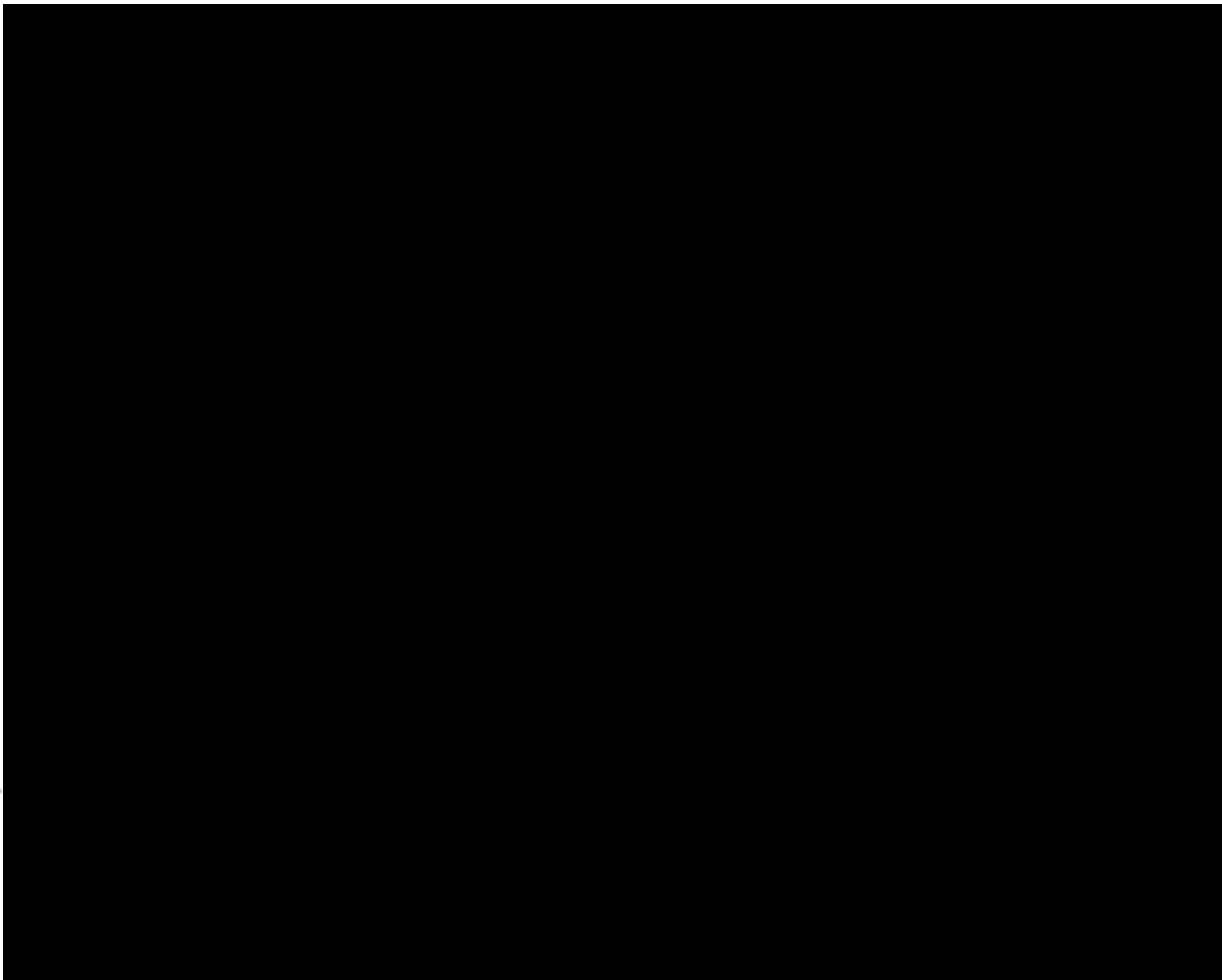

**MINUTES OF A MEETING OF THE Bhs PENSION SCHEMES' INVESTMENT COMMITTEE
HELD AT THE OFFICES OF TOWERS WATSON, 71 HIGH HOLBORN, LONDON WC1
ON TUESDAY 3 MARCH 2015**

PRESENT:	Chris Martin	ITS, Chairman
	Phil Kitchen	Bhs Pension Trustees Limited
	Richard de Dombal	“ “ “ “
	Mike Lymath	MGL Corporate Services Ltd
	Margaret Hannell	Secretary
	Chandra Vadgama	Bhs Pensions Accountant
IN ATTENDANCE:	Alex McTavish	Towers Watson
	Jonathan Westwood	“ “
COMMENCEMENT TIME:	10.00 am	

1. **CONFLICTS OF INTEREST**

Siobhan Forey, who formally withdrew from all Project Thor-related discussions and correspondence in July 2014, similarly excluded herself from any exchanges relating to Project Rudolph (the Company's proposed sale of the BHS business) from February 2015.

Having taken advice from Emma King of Eversheds, there are currently no issues for Richard de Dombal (whose role is Arcadia Group Head of Tax) but this will continue to be monitored, as will the position of all other Trustee Directors.



10. **PROJECT RUDOLPH**

Chris Martin updated the Committee on recent developments:

- (i) A call had taken place with the Pensions Regulator (TPR) the previous day (2 March 2015); this also involved Emma King (Eversheds), Dave Clarke (KPMG) and Margaret Hannell.
- (ii) From a conversation he had with Tony Clare of Deloitte earlier this morning (3 March 2015), Chris Martin had gleaned that the Company is actively pursuing a sale of the BHS business: Goldman Sachs is advising Taveta No 2 (BHS's owner); Linklaters are engaged on the corporate work and Nabarro for pension-related aspects.
- (iii) The prospective purchaser (Swiss Rock) has appointed Grant Thornton to address financial aspects and Olswang has been instructed for legal advice.
- (iv) Sir Philip Green has today asked to speak/meet with Chris Martin; as TPR had requested contact details for Adam Goldman (Group Company Secretary) during the previous day's call, it may be that TPR has since contacted the Company?
- (v) Chris Martin met Dominic Chappelle (of Swiss Rock) and his associates on 19 February 2015 and had been surprised that due diligence in relation to the defined benefit schemes had not been the focal point anticipated – particularly considering the Schemes' funding positions. Given this lack of engagement, there was some speculation as to whether the Bhs Scheme and the SMS might be carved-out or excluded from the proposed sale of the BHS business?
- (vi) Mr Martin was told that the Swiss Rock consortium is putting up £15m of its own money while Sir Philip Green/Taveta is placing £15m into Escrow to meet three years' pension commitments/contributions. It is further proposed that two Group properties are sold (including Carmen House, at a £35m sub-value), with the proceeds from these sales being used to capitalise the new business.
- (vii) The transaction is to be funded by £120m of debt – although the lenders were not identified, nor the terms under which this loan is to be offered or secured.

The Committee expressed their concern that if the Bhs Scheme and SMS are included in a business sale – and therefore do not have the support of the Taveta/Arcadia Group standing behind them – the Schemes' covenant could be weakened or eroded.

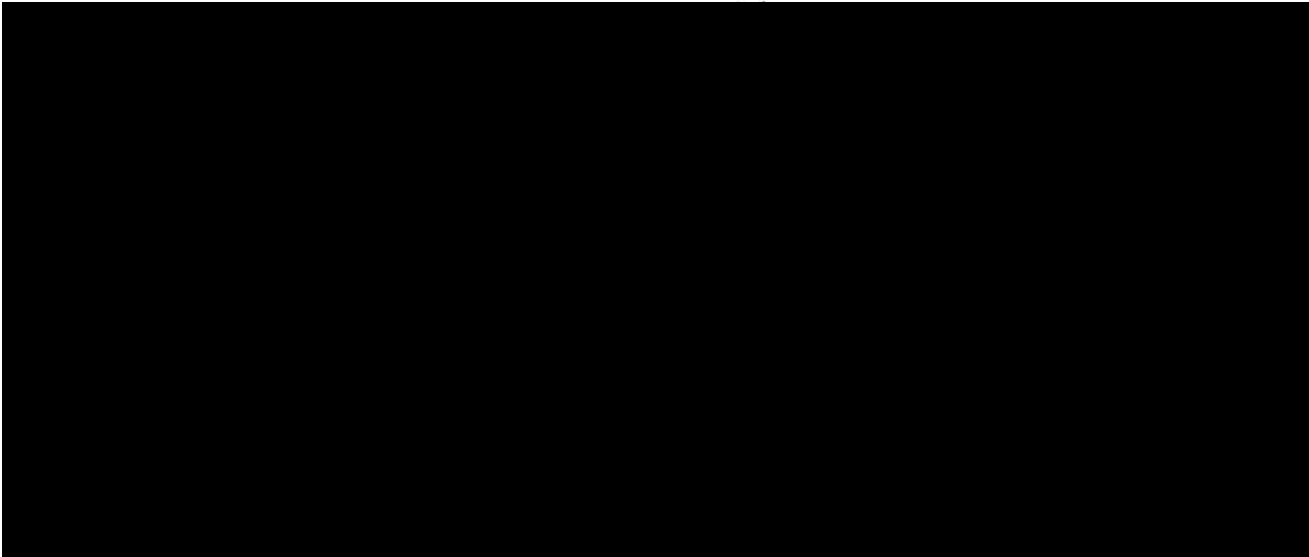
In response to the question, Chris Martin clarified that TPR Clearance is not required for a business share sale.

Furthermore, if the purchaser's debt is secured, then the Scheme and the SMS could be left "high and dry" in the event of the purchaser's insolvency or failure, which would similarly be highly detrimental to the Schemes' covenant – notwithstanding any action TPR may be able to take after the event.

Chris Martin is to meet Sir Philip Green again tomorrow (4 March 2015).

A separate meeting is to take place with TPR later in the day on 4 March and this will include Paul Budge (Arcadia Group Finance Director) and Tony Clare (Deloitte).

In closing, Chris Martin advised that Sir Philip had said the Company is still targeting a completion date of Monday 9 March 2015 for the sale of the BHS business and Chris will keep the Committee and Trustees updated on developments.



CPV MARTIN

INDEPENDENT TRUSTEE
S.W. CKS LTD

CHAIRMAN

19/5/15