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From: Alisdair Cameron GRO
Sent: Mon 11/03/2019 4:27:20 PM (UTC)
To: Jane MacLeod GRO
Subject: RE: Board Call on the GLO - Legally privileged and confidential

Thanks Jane.

Seems sensible and I suggest you get it out. Bit of inconsistency between bullets and numbered paras but I don't mind which.

Caught up with Tom C and he is in the "Judge isn't that unfair and may be right" camp so not supportive of the QC's view. He would add to the list looking at the role of WBD and whether we need a fresh pair of eyes there. And he specifically therefore doesn't want you to rely on their advice to find a 3rd QC.

Is that OK? Thanks Al

Alisdair Cameron
Chief Finance & Operating Officer

20 Finsbury Street
London
EC2Y 9AQ
GRO

From: Jane MacLeod GRO
Sent: 11 March 2019 16:00
To: Alisdair Cameron GRO
Subject: RE: Board Call on the GLO - Legally privileged and confidential

Al

I've added my sections and put this into a Word document - it's a bit long for an email!

Jane

Jane MacLeod
Group Director of Legal, Risk & Governance
Ground Floor

20 Finsbury Street
LONDON
EC2Y 9AQ
Mobile number: GRO

From: Alisdair Cameron
Sent: 11 March 2019 14:40
To: Jane MacLeod < GRO
Subject: Board Call on the GLO - Legally privileged and confidential

Jane, this is, as discussed, the sort of note I can see us sending the Board this afternoon. I am assuming you would replace the bit in italics with your text. What do you think: advice appreciated? Thanks Al

We have a Board call on the GLO at 10.30 Tuesday morning.

The key findings from a 300 page judgement are as follows, containing a number of challenges for us operationally and as a brand. We would remind the Board that the judgement is in draft, embargoed and cannot be discussed outside the management of the business. It will become public on Friday this week or during next week. The Horizon trial has started today.

1. *Arrogant, self-serving and relative credibility etc*
2. *Trading Statement*
3. *Burden of proof and contractual clauses*
4. *NFSP*
5. *etc*

The Executive Team views such an extreme verdict as a potential crisis and the outcome will depend on how we respond to the situation, both internally and in external messaging. We believe that the business can emerge stronger from this crisis if we manage it effectively. However, this will require us to do some things differently and change our priorities. The questions we are working through are set out below with some limited comments. We do not expect to go through these at the call but we would welcome observations, especially if anything appears missing.

Legal – Case - Jane

1. What is our QC's view? Our QC, who will join the Board call, views the verdict as extreme and beyond normal expectations: "crazytown".

2. Are there any factual errors we need to correct and clarifications we need to seek? Yes and we have until end Wednesday to do so. The team is compiling a list which we will review on Wednesday. This may determine whether the Judge releases his judgement on Friday or next week.

3. What force does it have and what are the legal implications? The judgement does not mean we have to do anything in particular but it defines our contacts with agents and therefore what would be construed as a breach of contract.

4. Can we stop or block any part of the judgement? Our legal advice is clear that we can't.

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5. When do we have to appeal by, what would the basis of an appeal be and who will help us make a decision? Can we justify a request for expedition? We have 21 days from the judgement being handed down to appeal and the advice from our QC is that we should appeal on a number of points of law. We are seeking a third QC to reach an independent view because our current QC is both responsible for our strategy and emotionally engaged: he was criticised personally. We expect the shareholder to want to be consulted on appeal.

6. Should we ask the judge to recuse himself (and appeal on that?) – and again we will need independent help with that decision? This would be an unusual, nuclear option, especially if it was triggered during the Horizon trial. It might play to accusations of arrogance. We need to review carefully and with the same independent QC view. We are conscious that in the mediation scheme and the Second Sight review other independent people also favoured the claimants.

7. What are the implications for the Horizon trial? We have briefed the team to not fall into the arrogance trap but it is too late to radically vary our court strategy.

Legal – Operational clarification – Paula Bartlett

8. What is the full list of operational legal considerations?

9. Can we amend the contract or release a variation to enable our business in the context of this judgement and how can it be agreed and delivered?

10. How can we operate a suspension process and termination process, of what length and recover funds?

11. How can the branch trading statements be amended to comply with the Judge's views?

12. How do we complete new network openings and what contract should we all be signing?

13. Can we get SPMs to acknowledge their accountability for cash when we give it to them?

14. How are we going to resource these additional legal questions?

Operational delivery – Julie Thomas

15. Lets' assume we are working without the contractual protections that we have traditionally relied on from Monday week. We will have to substantially pivot attention and resource. Increasing

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compliance (cash declarations, balancing etc), managing new issues very transparently to settle nerves, setting up a resource stream to capture, acknowledge and then respond to historical queries, identifying potential losses even faster than we do today and providing far faster and better analysis to support any request for money back, taking accounts of the answers to 9-13 above?

16. How do we create helpline, transaction correction and field capacity?

IT – Rob

17. Let's plan for a bad Horizon outcome. What does that mean and how should we respond?

18. How do we work with Accenture and others to ensure we can cope with additional calls and other demand?

19. Do we need to set up a potentially independent process for managing historical and new disputes that are not captured by the litigation, potentially supported by an escrow account for values in dispute?

Agents – Amanda Jones

20. How do we replace or augment the NFSP with user groups?

21. How do we seize the opportunity to change the agent relationship for the better, securing our future? Money, ways of working, governance, ownership?

Communications – Mark

22. What are we communicating and how do we bridge the gap between legal and business arguments? Our current headline is surprise but also real regret at the perception that we are perceived as arrogant etc. Operationally, we will change to address this. We also recognise that the vast majority of transactions do go through perfectly. The Judge's reaction to us has led him to some legal judgements that we think are mistaken and we will be looking at an appeal on points of law. Mel

23. What is the Media plan, and the plan for Parliamentary questions, both of which will need to be agreed with BEIS. What we say, who says it, who we say it to. Mel

24. Plan for agents to settle and reassure – this is critical. Do we write to all agents immediately? Can the NFSP play a role, taking into account the judge's comments about them? Use Portand again as a support agency.

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25. Plan for our people – with this and Paula leaving it would be easy for people to wobble. We have our senior leadership team together on Monday and GE direct reports will be told this week, in confidence. The leadership team must be present, visible and reassuring over coming weeks. We have to maintain a balance between crisis management and continuing narrative of progress and development.

26. How do we support and protect our witnesses who have been publicly criticised? Individual leadership.

27. Brand campaign – do we extend, replace, stop? Emma.

Stakeholders – Al, Mark

28. Government. Would Government be prepared to publicly state support, especially with other Government departments? Will Ministers need to trigger an enquiry and if so of what support? Patrick

29. MPs and political parties Patrick

30. NFSP plus Debbie

31. The Banks. Martin K

32. Fujitsu. Rob

33. Royal Mail. Mark S

34. Bank of Ireland. Owen/CP.

35. CWU. Lee

36. WH Smiths and other multiples. Amanda.

37. Bank of England. Russell.

38. PwC. Going concern, ARA, disclosures and provisions. Micheal.

Governance

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39. Project. We intend to separate the legal case management from the other workstreams. Both need project management and we may get external support for the other streams. Daily Steering Groups.

40. Board. We expect to have another call next week and turn over some of the Board meeting to this subject. We should agree the role and remit of the sub-committee, assuming it will maintain its focus on the litigation itself.

41. Shareholder. Especially focused on the legal case. Once we can talk to them we can agree how we manage.

Funding and Budget

42. We are assuming we will need additional funds to manage the litigation, the outcome of the litigation and our operations. A number of workstreams were already underway on optimising funding which will continue including: buy out Santander security and get it removed from Government security: agree NCS changes with BoE; Banks getting paid for deposits later for a fee; pushing further on the optimal management of our facilities; sell Telco; and accelerate cost reductions if we can do so without undermining the work above.

43. Would we recommend changes in the draft budget: do we need to free change and BAU money for operational changes; what comes off the change plan (for example, should we aim off DMBs for a year to protect the brand or continue to fous on change that improves our financial position); do we need higher brand spend; what budget should we assume for DMB costs etc?

44. Should we try and finalise budgets as planned at March Board or do we need more time?