



POST OFFICE LIMITED BOARD REPORT

Title:	Board Evaluation Report 2022/23	Meeting Date:	6 June 2023
Author:	Rachel Scarrabelotti, Company Secretary	Sponsor:	Henry Staunton, Chairman

Input Sought: Discussion/Decision

The Board is asked to:

- **NOTE** and **DISCUSS** the Board Evaluation results for 2022/23. The Committees will consider their reports and proposed actions at their next scheduled meetings; and
- **APPROVE** the recommended actions to address points raised and areas which may require development.

Executive Summary

The 2018 UK Corporate Governance Code and the Corporate Governance Code for Central Government Departments¹ both stipulate that there should be an annual evaluation of the Board and its Committees which should be externally facilitated at least once every three years.

The Board questionnaire for 2022/23 mirrored that for 2021/22 to allow comparison across years.

The Board Directors and Ben Foat, Group General Counsel, Tim McInnes, Strategy and Transformation Director, and Zdravko Mladenov, Group Chief Digital Information Officer, who have been regular attendees at Board meetings, were invited to participate in the Board Evaluation which they did.

Progress against actions from the Board Evaluation of FY21/22 were previously reported to the Board at the Board Meeting on 24 January 2023 and overall progress this year is reflected in the summary below.

All sections in the questionnaire² overall achieved an average score higher than 3 ("good/at the required standard"). However, some individual questions had average scores of below 3 (2 = "requires development").

Report

Board Directors were pleased about a number of aspects of the way the Board operated during FY22/23 including:

- (i) the continued focus on the resolution of historical matters;
- (ii) the level of contributions from Directors across the Board;

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¹ Provision 21 of the UK Corporate Governance Code 2018 and paragraph 4.12 of the Corporate Governance Code for Central Government Departments.

² A. Skills, experience, diversity, knowledge B. Leadership, ways of working, time management C. Decision-making and risk D. Specific Questions for NEDs, EDs and UKGI representative E. Information and support F. Stakeholder engagement

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- (iii) the clearly apparent time and effort Board colleagues spent preparing for Board meetings, as well as the time and effort Board members invested in engagement with the business outside of Board meetings;
- (iv) the decrease in the length of Board packs;
- (v) the Executive directors noted the support of the independent Non-Executive Directors;
- (vi) the contributions of the Postmaster Non-Executive Directors, particularly in bringing the Board closer to the business;
- (vii) the Board recognised the diversity and strength of skills that were utilised by the Non-Executive Directors across the Board, and that the Non-Executive Directors were there to support and assist.

Responses revealed an overall sense of pride across Board members at what the Board had achieved, despite continued and varied challenges during FY22/23.

Points raised/ areas for development:

1. Board Agendas could be re-shaped to allocate more time to discuss strategy, trading performance and the long-term sustainability of the business, with less time allocated looking in the 'rear view mirror';
2. Whilst the length and content of Board packs has improved this is an area where further progress could be made. Comments were made that the Board papers at times appeared to be recycled Group Executive papers;
3. The Group Executive and management would like to work in a more cohesive way, with the Non-Executive Directors further developing their professional relationships with the wider Group Executive and the Senior Leadership Group;
4. The Board would like clarity on the shareholder representative's role on the Board. There was a widespread view that UKGI delved too much into the detail, and some felt that UKGI acted as a filter on messages to the shareholder.
5. The view of a number of respondents was that the business is risk adverse and that management decisions were not taken without looking over their shoulder.

Recommendations:

1. Time on each Agenda be allocated to focus on the future of the business, including strategy discussion and trading performance updates.

The Chairman indicated at the last Board meeting that the content of Board meetings would be re-jigged with more time allocated to the business, and Board meetings would commence earlier in the day to allow sufficient time for these matters to be considered. That said, the Chairman was fully cognisant of the need to continue to monitor the progress of the Inquiry and the resolution of historical matters, therefore the re-focus on the business would be a gradual process over a 2-3 year period.

The CEO is in agreement that more time needs to be allocated in Agendas to discuss present day issues in relation to the business. Going forward the CEO Report will be allocated an hour's presentation and discussion time.

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It was agreed at the last Board meeting in March that the Board Strategy Day would be a teach-in on the business, particularly in light of 4 new Non-Executive Directors who are joining/ have joined the Board;

2. The length and content of Board packs should remain under focus; Board papers should be more high level, and less operationally focused and the Board should assist management by calling out any papers that are inadequate. From the side of management, the CEO agrees that Board papers can be further improved by distilling down content to key points, and will continue to review draft Board papers from this perspective;
3. Sessions on different business areas and functions (e.g., People and Culture, Postmasters, Mails, Retail, Banking, Marketing, IT, Insurance, Logistics) be scheduled in Agendas to provide opportunities for relationships to develop between Board members and members of the Group Executive and the Senior Leadership Group. The CEO will encourage this process as part of a greater focus on the future of the business.

At the last Board meeting in March it was agreed that Group Executive members would attend across a number of the sessions at the Board Strategy Day scheduled for July 2023, and that Group Executive members would also be invited to attend the corresponding Board dinner.

Additionally the Non-Executive Directors will be invited to attend the Senior Leadership Group meetings periodically;

4. The Chairman and the CEO noted the points raised by the Directors in relation to the role of the shareholder representative and are continuing to reflect on these and the relationship with UKGI;
5. The Board must give the Group Executive the confidence to 'get on the front foot'. The Chairman and the CEO recognise the need for cultural change to empower management and to turn the Post Office into a sustainable business, and one where decisions are made more rapidly, with a Postmaster centric focus, and with appropriate thought given to other key stakeholders including customers;
6. The CEO needs a best in class management team to lead the business by providing technical competency, depth and breadth of experience, as well as sheer nerve, to deliver change in a complex operating environment. The Board can assist via support on succession planning and People matters. Establishing a suitable management team to lead the business is a key priority for the CEO. The Chairman has requested a talent review and succession planning session be scheduled followed by a Board dinner, where People issues will be the central theme on the Agenda;
7. Wider cultural change is required and morale within the Senior Leadership Group could be more positive. Cultural change is seen by the CEO as vital to the future of the business.

The Chairman made a presentation to the Senior Leadership Group in March 2023 and shared his experience of having been Chairman of WH Smith Plc; WH Smith Plc emerged as the most successful high street retailer post pandemic, and the Chairman advised his

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expectation for Post Office to follow similarly. Whilst funding constraints have made effecting change difficult, huge strides can be made with the right leadership behaviours.

Next Steps & Timelines

1. The Audit Risk and Compliance Committee, Nominations Committee, Remuneration Committee, and the Historical Remediation Committee will be asked to consider their evaluation reports at their next scheduled meetings.
2. The Nominations Committee will be asked to review progress with the implementation of the actions agreed from the Board Evaluation 2022/23 at its meeting on 26 September 2023.

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