



POST OFFICE LIMITED BOARD MEETING
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MINUTES OF A MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON TUESDAY 7 JUNE 2022 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 13:00 PM

Present:	Tim Parker	Chairman (TP)
	Tom Cooper	Non-Executive Director (TC)
	Carla Stent	Non-Executive Director (CS)
	Zarin Patel	Senior Independent Director (ZP)
	Lisa Harrington	Non-Executive Director (LH)
	Saf Ismail	Non-Executive Director (SI)
	Elliot Jacobs	Non-Executive Director (EJ)
	Ben Tidswell	Non-Executive Director (BT)
	Brian Gaunt	Non-Executive Director (BG)
	Nick Read	Group Chief Executive Officer (NR)
	Alisdair Cameron	Group Chief Finance Officer (AC)
In attendance:	Rachel Scarrabelotti	Company Secretary (RS)
	Max Jacobi	Finance Director – Retail (MJ) (Item 5.)
	Zdravko Mladenov	Group Chief Digital and Information Officer (ZM) (Item 6.)
	Martin Edwards	Network Strategy & Delivery Director (ME) (Item 6.)
	Martin Hopcroft	Director of Health & Safety, Environment and Business Continuity (MH) (Item 7.)
	Ben Foat	Group General Counsel (BF) (Item 8.)
	Fintan Canavan	Inquiry Director (FC) (Item 8.)
	Simon Recaldin	Historical Matters Director (SR) (Item 8.)
	Liam Carroll	Interim Procurement Director (LC) (Item 9.)
Apologies:	N/A	

Action

1. Welcome and Conflicts of Interest

A quorum being present, the Chairman opened the meeting. The Chairman called for any conflicts of interest to be disclosed. The Directors declared that they had no conflicts of interest in the matters to be considered at the meeting in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.

2. Minutes and Matters Arising

Subject to the incorporation of the comments of LH and TC, the Board **APPROVED** the minutes of the Board meetings held on 16 March 2022, 29 March 2022, 21 April 2022 and 4 May 2022. The Minutes from the Board Meeting held on 22 February 2022 were deferred to the next scheduled Board meeting.

The Board **NOTED** the action log and status of the actions shown.

TABLED and **NOTED** was a paper, 'Operating System for NBIT Counter (Windows/Android)' prepared in response to a Matter Arising at the Board Meeting of 29 March 2022 and included on the action log.

ZM joined the meeting at 13:29 and spoke to the paper, advising as follows:

- the purpose of the update paper was to provide the Board with the reasoning behind the decision to choose a Windows operating system for the NBIT counter terminal;



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- there were a number of drivers behind the decision however the most important of these was security. For example, if the Company was hacked, we didn't want to be the Company who had chosen the less secure system. In addition, Windows service was better and there was confidence that Windows would be attentive to any issues raised;
- ZP queried whether anyone who was doing the system upgrade that we were doing would choose android anyway. ZM advised that a high proportion of the retail world was moving to an Android system, particularly retailers who saw themselves on the trail blazing side of IT; this was not us. ZM advised further that the Company's tolerance for risk was a lot lower than other people who chose Android, and that he did not think the Company could take a chance on this;
- there were issues and complexities that came with this decision. This included additional costs including licence costs – Windows and Microsoft were not free – although Android was;
- EJ noted that Payzone was on Android and queried why we not worried about that being hacked. ZM replied that the Android operating system was so simple it was not really possible to hack;
- the support and resources of Windows were superior to that of Android. There was a desire for the Company to own the accountability for the support but not provide the support, which would be provided by Windows. ZM noted that practically everything the Company deployed now aside from Payzone and Drop and Go, was supported by Windows;
- CS observed that it appeared to be a balanced decision, based on risk, and that the switch to a Windows operating system seemed like a sensible thing to do;
- BT queried the re-work that would be required and the scale of this. ZM replied that he would keep the Board advised as the precise dimensions of this became apparent;
- ZM advised that the Company's external suppliers had been advising that the switch from Android to Windows was not significant, however this was proving not to be the case. ZM advised further that whilst approximately 60 - 70% of what had been built was fit for purpose, that there was about 30 – 40% that was no longer fit for purpose, and that this comprised the Postmaster facing part. The extent of the additional cost and time involved from the switch was currently not known, the analysis was being undertaken to articulate this. The silver lining was that by forcing the decision, the team had discovered early issues and had the opportunity to address these now. The decision would however involve substantial re-work;
- BT queried whether the downside from this decision was significant enough to outweigh the benefits of the decision on balance. ZM replied that no, he did not expect the downside to be significant enough to outweigh the benefits;
- ZP noted that there were a number of companies who simply wouldn't go near Android. The National Cyber Security Council guidelines were in favour of Windows operating systems; if the Company was proposing to remain on Android, we needed to be prepared for a difficult journey there with our shareholder. ZM advised that he had seen the Ministry of Defence and the NHS try to rebuild on Android and that this had not been achieved. The Chairman commented that he was understanding the nature of the decision now;
- CS contributed that it was not standard for a large company to have predominately Android operating systems. LH countered that if the company was built on digital then perhaps it could have Android operating systems;
- The Chairman queried whether the Company was running away at the first red flag and pointed out the risk of not knowing how much the decision was going to cost



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the Company nor the additional time consequences. The Chairman also pointed out that Android over time may invest increasingly in the security and service around the product;

- BT queried whether the implications were just time and cost. ZM replied that it was a problem that could be solved for; we were not talking 5 years and an additional £50M, indeed ZM thought that the additional cost would be less than a million pounds. The Chairman advised that it would be very important for the Board to be advised of the likely quantum;
- TC advised that he would be interested in the decision-making process around this, given that the decision had been outstanding since September 2021, and requested details of where the decision-making forum sat. ZP queried what lessons the team had learnt going forward. Addressing TC's query first, ZM advised that operational decisions like this were delegated to the IT team. ZM advised that Android had been decided on at the commencement of the project as it was the up-and-coming thing; the pros and cons of the decision were not properly weighed up however and the switch decision kept creeping from month to month. TC queried whether it was the BEIS position that tipped the scales. ZM replied that the decision had been made as a result of the Steerco and in consultation with NR. Turning to ZP's query, ZM advised that he had learnt to escalate much earlier on significant decisions;
- EJ queried the calibre of the expert advice that the Company had received in respect of the switch. ZM noted that the Company was not outsourcing the whole project and that the advice received did have some grey to it. The Chairman noted the importance of engaging experts here to provide the Company with adequate external assurance;
- **ACTION** ZM committed to updating the Board on the time and cost implications of the decision and to return with an update to the July Board Meeting. **ZM**

There being no further questions the Chairman thanked ZM for his attendance and ZM departed the meeting at 13:51.

3. Committee Reports (verbal)
3.1 Remuneration Committee

The Chair invited LH to update the Board on the work of the Remuneration Committee. LH advised:

- the Remuneration Committee had met on 28 April 2022 and proceeded to approve the 2021/22 STIP and the 2019-2022 LTIP outturns subject to audit sign off;
- the Board would need to think about how we position bonuses, now that they were to be paid again;
- the 2019-2022 LTIP had only one measure, the result of which equated to 104% of target;
- the 2021/22 STIP had a basket of measures which were mostly met or exceeded. The Remuneration Committee did exercise discretion on one point which was in relation to the partly met Postmaster satisfaction metric. The exercise of this discretion would need to be mentioned in the Company's 2021/22 Annual Report and Accounts, and the Remuneration Committee would need to think about how this was articulated;
- thought was required as to how the metrics were communicated to employees for the years ahead;



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- a proposed bonus deferral component equating to an LTIP replacement for 2023 had been agreed in the absence of an LTIP for that year;
- employee's behaviour would be reflected in any bonus they received. EJ queried how this could be measured. NR advised that desired behaviours had been defined and that descriptors had been prepared to measure the behaviours against. This was known as the Company's Ways of Working;
- the proposed framework for the 2022-25 LTIP was to be considered by the Remuneration Committee in July, although there were no proposals to change the eligibility and the metrics could be similar to those in previous years. BG queried how many SLG members were sitting in the scheme. LH advised that there were approximately 70;
- a CEO discretionary pot had been considered, which would give NR an ability to award people outside the LTIP and the STIP. The Remuneration Committee had had a robust discussion around this. The Reward team had been requested to articulate what was going to be rewarded and who would be entitled to this so as to avoid any concerns around the appearance of nepotism;
- the Remuneration Committee's Terms of Reference had been reviewed, and these were to be updated for a number of items, subject to the Remuneration Committee's sign off and recommendation to the Board;
- tram tracks had been set for the reward package for the Group Chief Product Officer.

3.2 Historical Remediation Committee

The Chair invited BT to update the Board on the work of the Historical Remediation Committee. BT advised as follows:

- on HSS the offer process was running well, and this felt reasonably comfortable in terms of process and resilience. In terms of when an offer was not accepted however, that part of the process did not feel comfortable;
- in respect of criminal cases, although progress was slow in terms of candidates having their convictions set aside, some positive work on identifying candidates had been achieved;
- OHC progress remained very slow, although dispute resolution processes had been established.

[REDACTED] In relation to claims aside from Hamilton and Henderson there was little movement as no further claims had been lodged. There was an approval matter for the Board later in the meeting to consider the appointment of consultants to investigate moving from a negotiated to a remediated operating model. BT shared his view that he thought the negotiation aspect was unhelpful and he would be interested to look at moving away from this;

- In relation to the suspension aspects of Detriment, BT noted that the Company was still waiting for a funding decision and expressed concern around this. BT queried with TC whether his concern was well placed. TC advised that a decision was due, and the funding was anticipated to be forthcoming;
- There were opportunities to take some costs out, firstly via a further discount from HSF, and secondly via potential savings that could come from the OHC.

The Chair called for questions.



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TC raised the issue of late applicants to the HSS and noted that there were quite a few applicants. TC shared his response that emotionally he wished for the applicants to be considered and paid however there was no corresponding funding. TC noted that the shareholder's position was that this was a matter for the Company. BT noted that there were approximately 160 applicants in this pool, and that their claims could be in the vicinity of £60-70k each: this group was the most pressing. NR contributed that he had spent some time looking at this already. TC pressed that this matter needed to be resolved. AC queried what would happen if the Company got to a point where we thought there was a liability on the detriment issue or some other claims and the government was not prepared to fund these liabilities. Were we going to continue to hold the line until government committed to funding? Had we thought about how the Company would navigate through this? TC replied that he thought the situation was more complex than this. The Company did not have funding to meet these claims, and this is what needed resolution.

3.3 Nominations Committee

The Chairman, also being the Chair of the Nominations Committee, updated the Board on the work of the Nominations Committee as follows:

- The Nominations Committee had sat earlier in the day and resolved to apply for consent to the Minister for an extension of ZP's term until the end of February 2023, and an extension for LH's term until the end of Summer 2023;
- CS was due to step down from the Board in 2024. The incoming NED, to be recruited in due course, could join the Audit, Risk, and Compliance Committee, and then look to take over as Audit, Risk, and Compliance Committee Chair when CS departed. ZP had a good skill set and the intention was to recruit someone similar. Assuming shareholder consent was forthcoming to commence the campaign, Green Park would be engaged as recruitment consultant and commissioned to find 2 NEDS;
- changes to the executive team had been approved including ZM and J Smyth moving into different roles. It was noted that the approval was subject to the Remuneration Committee approving the reward structure for ZM and J Smyth;
- approval had been provided for a number of sub board appointments to FRES/H and Payzone.

3.4 Audit, Risk and Compliance Committee

The Chair passed to CS and invited CS to update the Board on the work of the Audit, Risk and Compliance Committee. CS advised as follows:

- there were some challenges in the Compliance Team, and this was impacting the ability to carry out the second line assurance function;
- there had been an increase in FOI requests and a Steerco had been established to monitor requests. This was especially so with the Inquiry under way, so no one was blind-sided;
- a response had been received from HMRC on IR35 setting out 11 issues. Given this a decision had been made to operate inside IR35; the timing for implementing this was being examined;



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- the move from Computacentre to DXC had been affected, achieving a significant saving each month. The Postmaster conference had been used to provide messaging on this change;
- Appointed representative arrangements were under discussion and a Steerco had been set up;
- the McColl's sale and strategic partnerships had been considered, along with the Framework Agreement to be put in place, to move to a more modern franchise agreement;
- a Banking Deep dive had been conducted to look at access to cash and Bank Hub. Five Postmaster's had volunteered for Bank Hub; with more bank branches closing this was something that we could look to capitalise on;
- Payment practices reporting had been considered; and
- The Committee evaluation had been conducted. A suggested area for improvement was around the calibre and style of the reports and materials provided to the Committee by management.

The Chairman called for questions.

LH contributed that on IR35, she had had an experience at another company whereby everyone outside IR35 was placed on contracts inside IR35, and that this had been a smooth process and no contractors had been lost.

AC advised that we had received some evidence of issues around stamps and Postmaster fraud which may have been going on for a little bit. The compliance team uncovered this issue, and this issue may also exist with one of our strategic partners. This was being investigated. The Company did not have monetary risk as stamps don't appear on balance sheet. However, the Company had the contractual position of advising Royal Mail and we were working through this with Royal Mail.

4. CEO Report

TABLED and **NOTED** was the CEO report.

NR advised as follows:

- From a commercial perspective it felt like the business was in a good state, and in a better state than anticipated. Banking payments had had a good few months and the core components of mails had done well. Customer sessions were doing well. We had had a good few weeks with Travel Money. It was difficult to tell how long these items would be sustained for however;
- It appeared that Royal Mail may be subject to upcoming Industrial Action. The Company itself had had Industrial Action the last few days; good contingency planning had been undertaken and put in place ahead of this. The Industrial Action had not attracted a lot of media attention;
- On the network the feedback has been pretty consistent being distinct nervousness around inflation and the costs of living;
- 3 simple strategic priorities had been distilled so we could deliver as against these, mobilise better around SPM, and focus on removing reliance on government. NR and T McGuinness were working through SLG objectives, to ensure people's objectives were aligned, and to ensure people were aware of what others were doing. This would assist with silo working and getting alignment across functions.



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Part of the exercise was to make sure we stop pet projects that have grown up – this was very important given budgetary constraints;

- Much of the focus for the next few months would be on the Inquiry with the next phase commencing on 12 September. In addition, compensation hearings were scheduled for 6 and 13 July. NR had written to Sir Wyn yesterday to ask what the expectations were for the compensation hearings.

The Chair called for questions.

LH referred to the section in the CEO Report detailing service desk issues and asked for NR to elaborate. LH also referenced concerns that had been raised at the Postmaster Conference on the service desk. NR responded, advising that we had seen issues on discrepancies go up, and also on printers. NR advised that he had spoken with M Fischer, who headed up the service desk function. The spike in issues appeared to be a combination of things, including that we might have made it too easy for Postmasters to press the dispute button, without requiring any element of self-help. **ACTION** NR detailed one measure that was being taken was separating out the IT helpdesk and bringing this back to ZM's team. A further update to the Board would be provided on this. NR queried how much self-help it was reasonable to expect from Postmasters and referenced printers – if Postmasters for example were to clean their printers regularly this could contribute significantly to reducing printer issues. NR reflected that we had encouraged Postmasters to 'bring out their dead' and that the resulting balance had not been struck correctly. NR further advised that management were looking at Postmaster reporting figures to understand how many Postmasters had called in relation to which issues, to understand and identify thematic issues as well as if it was a particular group of Postmasters contacting the service desk. LH queried when we would expect to see an improvement? **ACTION** NR committed to bringing the matter back to the Board with an update for July. NR emphasized the need to move to some level of Postmasters self-servicing. EJ responded that there were practical issues in terms of what Postmasters could do at branch level and commented that searchability was dreadful. EJ advised that Postmasters were using cumbersome print outs to try to locate an error. EJ further advised that he currently had counters out of service and shared his view that this was a significant issue for a number of Postmasters at present. SI agreed that this was an issue. NR replied that the business appreciated that this was a problem and that there had been issues with Computacentre completing work at the conclusion of their contract, and with DXC commencing. EJ noted that the backlog was very bad and that the business needed to look at ways get ahead of the blockage. CS advised that this issue was being considered at ARC as well and that a triage system was being considered. EJ noted that it was taking between 5 – 7 days for a counter which was down to be put back into service and shared his view that this was putting a number of Postmasters on edge.

NR/ZM

NR

The Chair called for any further questions.

CS noted the section of the CEO Report that mentioned challenge from the D&O insurers and the possibility of cover changing for the remediation period and asked for clarification as to the position. **ACTION** – RS undertook to liaise with BF to send on further details to the Board.

BF

The Chair called for any further questions.

ZP queried how MR's appointment was working out and what Neill O'Sullivan's brief was for the first 6 months. NR replied that Neill O'Sullivan had been brought in to provide



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speciality in packages, and also an understanding of Royal Mail's approach, in terms of what Royal Mail were likely to do and what contingencies we needed to put in place for this. NR advised that we needed to get right the operational rights for Drop and Go so people understood how that would appear from a marketing perspective. In terms of MR, NR noted that MR was undertaking a different role to that of D Zinner, and that MR had been brought in as an individual to front retail, rather than NR. NR advised that MR was getting to grips with operations and that he thought he had made a good start, although there was a need for MR to move into more challenging aspects of managing the business. The Chairman contributed that he thought MR had presented well at the Postmaster Conference.

The Chairman advised that a NED only session had been held earlier in the day and in that session 80% of the discussion was around Mails. The Chairman noted the issues NR was raising around mails, however PUDO was not going to change things materially in terms of earnings. With Royal Mail disintermediation did we really have anything to lose by starting a journey to get customers going online. **ACTION** The Chairman requested that we deal with this question come July. NR replied that yes, management were planning to do this. The Chairman observed that to make the business more successful some costs needed to be taken out; some of which we couldn't affect because the Company did not have the funding. The Chairman noted that putting all of these issues into the policy review would be very important, and that there would be some difficult decisions to come. NR agreed that given the significant income that the Company derived from mails, that he would want assurance that that was to be protected. There was a trade-off between being brave and fool hardy. NR referenced the fireside chats he had had with 2 of the short-listed candidates for the chair position, who had stressed that when the government committed to a policy review that this was a huge opportunity and that we needed to make sure we got the terms of reference right. NR advised that Minister Scully was coming to the Board strategy session on 13 July and that the Board had a responsibility to make sure that the policy review was something that we wanted it to be. The Chairman advised that another thing to come out of the policy review should be an improvement in Postmaster remuneration. EJ raised that Postmaster remuneration in respect of the Banking Framework was set to be announced in January 2023. EJ shared that he was worried that January was a long way off in terms of making any announcement. NR advised that management would keep this decision under review.

O Woodley

The Chairman invited AC to contribute. **ACTION** AC advised that management were coming back to the Board with the 3-year plan come July, and that there were some up sides which matched some of the downsides on mails. However, if we were to continue on as we were doing now, we would end up with a hole. The question was what we were going to do about it; AC was very cognisant of the need to do more on costs.

AC

The Chair called for further questions.

SI referenced paragraph 34 in respect of Postmaster satisfaction with the onboarding journey and queried whether the percentage given was in relation to the period post March 2022. NR replied that it was. **ACTION** SI advised that he had had some issues with Postmaster onboarding and people contacting him in relation to this, so requested further data on this. NR undertook to arrange this.

MR

SI referenced the issues that had been had by Postmasters with tablets and queried where this was up to. NR replied that a lessons learned session was going to ARC. SI advised that he had had Postmaster's offering to buy their own tablets to assist them to meet



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customer demand, with some Postmaster's indicating that they would be willing to buy 2 or 3 tablets. SI queried whether this would be possible. **ACTION** NR undertook to investigate whether this was possible. LH observed that this could provide a useful Segway for other conversations with Postmasters.

MR/ME

5. Finance

5.1 Financial Performance Report

MJ joined the Meeting at 14:52.

TC queried the timing for bringing the Company's Annual Report and Accounts to ARC and the Board for consideration. AC advised that management were looking to have these concluded ahead of the summer, however that there would likely be a wait before publishing, as these needed to be published when Parliament was sitting. The last date the Company could publish was 31 December 2022.

ACTION LH advised that she did not have an idea on when the timing should be to publish, however requested that she be involved in conversations regarding this. LH advised that a draft of the Annual Report and Accounts had been shared and that it was very disjointed. LH shared her view that we needed to think about the difficult economic climate we were operating in and the fact that the Company was paying out bonuses again, and how this was messaged. LH recommended that the messaging be along the lines of - this was the Company's performance, and these are the decisions that were made based on that performance. NR queried whether there were plans to publish a separate director's remuneration report. LH replied that there were not. AC apologised to LH that the draft had been issued to LH at this time and advised that he had not seen this.

R Taylor

TABLED and **NOTED** was a report, 'April 2022 (P1) – Performance Overview'. AC spoke to the paper advising as follows:

- In terms of financial performance there had been some strong months at the beginning of the year, including on travel money, although this could be upset by travel chaos;
- There was a concern on Mails – labels were doing worse than the reduced budget, and this felt like a structural issue. N O'Sullivan was looking into this; we would need to get to the bottom of this issue and reforecast for this. The better performance on special delivery was pleasing; we had provided extra training, and focus on this, and seemed to be reaping some rewards;
- On the costs side AC remained anxious and a number of deep dives were occurring on this including one with ZM. AC stressed the need to make rational decisions about where the Company was spending money and where it was not. AC reiterated his earlier advice that there was currently a gap in the 3-year plan if we proceeded on as currently. AC shared his view that the Company was in a world of increasingly difficult decisions – for example, currently the Company essentially broke even on lottery; lottery earned money for Postmasters and drove footfall however we were coming up to a time where we would need to spend a few million pounds to move to a new provider for lottery. The break-even lottery product that delivered for Postmasters was one thing, however a break-even lottery product that delivered for Postmasters that costs £5M to implement is another thing;



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- Reporting for the period had been somewhat complicated due to the bank holidays and the incidence of Industrial Action. This had put some pressure on facility headroom; security headroom was ok.

EJ enquired about an individual product profitability report and advised that he had been told that it was not available. AC replied that he had not advised this; it was an exercise to run this report, however. AC advised that last time this report was run it had shown that every product was profitable however margins varied considerably. **ACTION** AC advised that management had been refreshing this report and would bring this report back to the Board in July. AC noted that the Board would be soon taking decisions around NBIT so it was important to have product profitability data, as the NBIT changes would require investment for each product.

AC

SI raised the Local Authority pay-outs and queried what the Company was receiving for each transaction as against what the Postmasters were receiving. MJ advised that the scale of the exercise was much bigger than what we had initially thought. In terms of remuneration, Postmasters made about 20p for every transaction, and the Company made about 70p although we had transactional costs as against this. MJ advised that management thought this was a profitable exercise.

SI queried what the average pay-out per branch was. **ACTION** MJ advised that he could work out what this was and advise SI. SI advised that there were a lot of hidden costs for Postmasters. EJ contributed that local councils were issuing the pay-outs on masse with the result that Post Offices were receiving customers in on masse to claim. EJ advised that Postmaster's need to conduct an ID check prior to administering the pay-out as well. This had resulted in normal customers are not coming in, with queues forming out the door.

MJ

The Chair queried how well the Company understood, and what information we had, about the 2 ingredients that went into Postmaster earnings – the first being Postmaster remuneration received from the Post Office, and the second being what comes in from the other retail offering provided by the Postmaster. The Chair queried what would be lost on Postmaster retail earnings, if the Post Office was not there. If we were going to have a discussion around the Post Office franchise, we needed to understand what it generated in terms of business, noting that this varied by offering and location. The Chairman advised that if someone offered him a Post Office franchise, he would not be thinking about what the Post Office remuneration is, but rather thinking about what Post Office generates for the franchise. The Chair advised that we needed to look at this and understand how much the Post Office was generating footfall.

AC noted these sentiments and referenced the action of bringing the product profitability report back to the Board. In terms of the Local Authority pay-outs, AC noted that whilst we could determine what the Postmaster remuneration was, the problem was that we didn't have sight of what Postmaster costs are. **ACTION** AC committed to reviewing this, with the local authority pay-outs. AC echoed MJ's observation that the exercise was more significant than anticipated and noted that this created risk in terms of the amount of cash put into the network.

AC

The Chair queried what the impact on a business would be if the Post Office franchise was removed. CS advised that the Board had spoken before about the franchise being a sustainable business model, however CS's recollection was that we had not gotten to the bottom to that question as yet. TC recalled that work was done on this previously with McKinsey, with a view to working out what was going to be viable. AC noted that different

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branch formats behaved very differently over time. There had been the historical problem was that we were overpaying Mains and Locals were in difficulty. We had proposed to increase remuneration for Locals; however, this had proved too difficult so was not progressed. In terms of branch format behaviour, the opposite had proven true the last 2 years however once covid hit.

The Chairman shared an anecdote of his experience with the local Post Office when it changed hands: on every level the new owners did not understand retail. The point was that the new owners were not good at leveraging the footfall that was coming in for the Post Office to highlight their wider retail offering. The Chairman observed that successful Post Office's needed to be a successful partnership between the Post Office and the franchisee. The Chairman advised that he was not sure how we could get this right, however we needed to understand the dynamic better between our part of the shop and the other part of the shop. ZP noted that when looking at historical cases a lot of retail shops had closed once the Post Office franchise part went. AC noted that proof of the Chairman's anecdote could be found when looking at strategic partner performance – there were a couple of quality retailers, and they did better overall. For example, McColl's trading was up 3% once Morrisons took over. The Chairman queried that rather than having area managers could we have managers that assisted Postmasters with retail instead.

Returning to the Local Authority Payments SI asked that these not be sequenced for release at the beginning of the week. NR responded that management had taken the message and would work on this.

MJ left at 15:31pm.

5.2 Working Capital Facility Update

TABLED and **NOTED** was a paper, 'Working Capital Facility Update'. AC spoke briefly to the paper, advising that the Treasury Policy contained a maximum facility usage of [IRRELEVANT] however it was envisaged that this could be [IRRELEVANT] **IRRELEVANT** [IRRELEVANT] Given this, the Board was being asked to increase the maximum facility usage temporarily to [IRRELEVANT] to be utilised if required.

The Board **RESOLVED** to **APPROVE** the **DELEGATION** of authority to the Group Treasurer and/or Group Financial Controller to approve a temporary increase in the available Working Capital Facility from [IRRELEVANT] to [IRRELEVANT] if required for utilisation in the event of **IRRELEVANT**

6. Joint presentation from the Network and SPM Teams: Deep dive into Drop & Collect and wider Horizon replacement

TABLED was a paper, 'Joint planning between Retail, Technology and BTU for the rollout of Drop & Collect and wider Horizon replacement'.

ZM, MR and ME joined the meeting at 15: 32.

ZM introduced the paper, advising that the paper was brought in response to the queries raised by the Board in the March 2022 meeting. ZM outlined broadly how the IT and retail teams were working together, what had been achieved, and the need for the teams to be very joined up for the roll out. MR contributed that the teams had been working together



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on the rollout closer the past few months. MR advised that when the exercise commenced that the teams were not in a good place in terms of collaboration, and that the retail team did not appreciate the urgency of the situation. What was undertaken was an exercise to get the teams together and to have them understand the key components. Martin Edwards was the interface between the 2 teams, and the teams were aligned so far as the roll out was concerned in a much better way. Additionally, good co-ordination had been implemented between the teams to take the rollout forward.

The Chair called for questions.

CS queried what good would look like. For example, if there were approximately 5 transactions going through at what point would we stress test. ME clarified whether the question was aimed primarily at what good looked like from a customer perspective. CS replied that it was. ZM responded that from his perspective good looked like more transactions being processed and that these were conducted quicker. CS queried the amount of stress testing that had been conducted. ZM responded that the team had caught lots of issues however agreed that more stress testing should be undertaken.

The Chair queried what had changed as against when the Board discussed these issues last July. At that point the view was that we had trouble serving the network as then configured, so the proposal was to **IRRELEVANT**

IRRELEVANT Was that still the correct answer now? **IRRELEVANT**

IRRELEVANT

TC reflected that

IRRELEVANT

IRRELEVANT

TC noted the

previous work ME had undertaken to put forward a number of options including basics; basics did not seem to be in the picture anymore, however. LH observed that whilst the ask from the Board had been to see that the IT and Retail teams were joined up, that the exercise had drawn out many other issues. LH expressed her concern that potentially less than 5% of branches would have the new technology by March 2023 and that the roll out would be affected whilst network strategy was being defined. LH raised a further concern of the Company moving off Fujitsu in time. CS queried whether we were building something that was going to be workable. LH contributed that we needed to be building the technology for the future and we didn't know what that was.

TC noted that one of the things that ME had done was take away from the mantra of the 11,500 branches and looked at what was required to be competitive in more parcels. ME replied that **IRRELEVANT**

IRRELEVANT

O
Woodley/ME

IRRELEVANT

The Chair requested that this work not be prejudged at this point. The Chairman referenced the earlier discussion of looking at what a Post Office delivered to a retail business and observed that it may need more than one product to deliver footfall. The Chairman looked at the differential between a **IRRELEVANT**

IRRELEVANT

The Chairman further queried how easy it would be to **IRRELEVANT** and noted that the option needed to be profitable for the retailer as well as the Post Office.



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LH queried whether we had achieved enough to move us to an end point with Fujitsu and pointed out the difficulty in the task when the target was still moving. EJ noted that the testing of counters had been forecast for the end of summer and queried whether that was still on track. ZM replied that it was, broadly. NR reminded the Board that the main objective was to move off Horizon. The challenge was to come back to the Board in July and to answer these questions so we could move forward. The Chair agreed with this: he did not want any Board prevarications to hold up any IT decisions, however the Company would still need a [REDACTED] **IRRELEVANT** [REDACTED] LH agreed and noted that if the IT was ready, it would be ok, however the Company was not in this space currently and the runway was getting shorter. LH further noted that it was going to be expensive running Fujitsu and achieving SPMP simultaneously, and in her view the priority needed to be defining the right network for the future and moving off the current network. The Chair stressed that this simply needed to happen.

ACTION LH noted that she would take an action to request A Williams to consider these potential implications on the 2022/23 STIP and the proposed Framework for the 2022-23 LTIP.

A Williams

ACTION ZM advised that he would return to the Board with details on what the upcoming significant decisions for the Board on NBIT would be.

ZM

ZM, MR and ME left the meeting at 15:56.

7. Health & Safety performance for 2021/22 including feedback from the abuse and violence review undertaken by HSE

TABLED and **NOTED** was a paper, 'Health & Safety Monthly Report'.

MH joined at 15:56 and AC proceeded to introduce the paper at the Chairman's invitation. AC then passed to MH with key discussion points as follows:

- In terms of Health & Safety performance there had been a spike in accidents, perhaps due to the end of the Covid pandemic, during which there had been an intense focus on Health & Safety. There had been a decrease in accidents in the supply chain due to a change in culture. A cultural shift in terms of Health & Safety was being enacted in the DMBs now, including holding Health & Safety workshops, and appointing safety champions;
- The Chairman queried whether there was a difference between a Post Office employee tripping over a box and a Postmaster tripping over a box. MH replied that from a Health & Safety perspective there was not, however the data being reported to the Board was in respect of the Company's employees. MH advised that the Health & Safety team were however pulling together a pack for Postmaster's for the area managers to distribute;
- The Chairman asked about the data on robberies. MH advised that robberies would be reported, however for abuse it was only the most serious cases that were recorded. **ACTION** EJ queried whether the Health & Safety team had data from the police on Postmaster abuse. MH advised that he had not seen this data, however he could source this. EJ noted that there were some CBIT delivery drivers who did not seem to be complying with procedures; this was due to time pressures as drops were taking longer because of the increased amount of cash. EJ shared his view that this needed to be reviewed. MH responded that this was

MH



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being reviewed, and that the team had a better profiling tool and high-risk branches were being looked at. **ACTION** EJ requested information to know which branches were considered high risk. MH reiterated that the procedure was being reviewed however undertook to share information with EJ as to which branches were considered high risk;

MH

- SI advised that he had spoken with NR about where Postmaster abuse was to be recorded. SI shared his view that as a nation Britons were becoming angrier and pointed out that the Local Authority payments were not helping;
- The Chairman shared his view that given we were concerned about Postmaster welfare, that Postmaster security needed to be our concern. The Chairman stated that the reporting felt Post Office employee driven. AC replied that the push back MH would receive is that the Company could not treat Postmasters like employees, so the approach taken is that what we give to DMBs, we also give to our Postmasters, with the only difference being that compliance for Postmasters is optional. This was an area in which we needed to be careful. EJ referenced other retailers who were wearing video cameras such as Sainsburys. SI noted that Postmasters now had open plan counters, and with tablets there was need a need to come out and assist in close proximity;
- MH advised that counselling post incident had been recognised as good. MH touched on the issue of banning and LH shared her view that the policy on this could be clearer. EJ queried whether support was sign posted clearly enough. MH advised that a recommendation had been received for this to be improved. EJ noted that the Post Office was increasingly becoming the de-facto bank on the high street and asked what additional Health & Safety planning was in place ahead of this? MH advised that the team were constantly looking at the data, however currently there was no trend emerging, indeed robberies had dropped down the last few months.

The Chairman called for questions. BT noted the Health & Safety statistics that had been provided for the Company year on year however queried whether MH had statistics as against other industries. MH replied that the team did, in term of looking at lost time, and tracking this across industries.

SI queried staffing of DNBs and whether the Company was still recruiting to replace DNB staff and if so, was this on the same terms? AC advised that where we were recruiting to replace DNB staff this would be on the same terms and conditions as for those employees currently engaged.

MH left the Meeting at 16:12.

8. Historical Matters

BF, SR and FC joined the Meeting at 16:14.

8.1 Historical Matters Unit

TABLED and **NOTED** was a paper, 'Historical Matters Programme Update'.

SR spoke to the paper advising as follows:

- The HSS scheme was on track in terms of external targets met for the end of May 2022. A plan was in place to hit stretch targets by the end of October 2022, so the scheme would then be substantially complete by the end of the year. The



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shareholder's view was that achieving this was non-negotiable. A stretch plan was in place to achieve this;

- The number of OHC claims submitted continued to be low. It was thought that firms were waiting for the initial 2 claims to be settled. The ENE process was not set to conclude until September 2022. BT queried this timing and asked whether this was due to Counsel or the judge's availability. SR advised that it was due to the availability of Counsel. BT queried whether we could not instruct different counsel. TC contributed that the shareholder was very concerned here, and that with the current situation a result would not be seen until mid-September 2022 unless the plan was altered. TC commented that the process was slow and that there was still a lot of negotiation between lawyers. SR agreed that the current progress was not correct as against the scale of the exercise and that the team wanted to build a proposal to move away from the legal process. SR shared his view that this could bring certainty of pace and a measure of control. A legal wrapper could be put on to encase this;
- In respect of Postmaster Detriment, funding was yet to be secured. The shareholder was due to submit a Business Case which Post Office would support on. It was hoped that Post Office would be well into delivery by December 2022;
- The Chairman advised that he was very concerned about the pace of progress in relation to OHC and noted that everyone had an interest in moving to resolution of the initial claims. The Chairman queried whether we could change the personnel at this time to get a better outcome. BT proceeded to explain the timing issue. SR contributed that Hudgell Solicitor's had indicated a desire for verbal evidence to be provided and that time had been carved out for that at the end of July. BF advised that our current Counsel was not available at present, and that Justice Dyson who would prepare the report was due to go away in August, so the process needed to be completed June/ July. As our current Counsel was not available, we needed to locate someone who could take on our Counsel's range. The Chairman asked whether it would be possible to get some kind of undertaking from Justice Dyson if the report could be completed before he commenced leave and queried whether the urgency of the situation was understood. BF replied that the pressing nature of the matter was understood however advised that the judge was in the parties' hands;
- SR advised that the need for an enhanced risk framework for HMU had been identified to ensure risks were fully understood. SR advised that this was being discussed with CS as ARC Chair, and that this was due to go formerly to the RCC in June and ARC in July;
- Returning to speak to Postmaster detriment, SR advised that there was quite a bit of detriment work that remained to be completed.

The Chairman called for questions.

ZP queried at one point someone called a halt to 30-year-old detriment? BF proceeded to reply. ZP advised that she understood; her question was at what stage does the shareholder say enough is enough. TC shared his view that he thought that the government would say that the current process once completed would be sufficient.

CS noted the recent submissions made to the Inquiry on compensation and queried how the responses would need to be reflected in terms of what we have provisioned. SR replied that the submissions were brave and answered the questions, although one area where questions could come back was in relation to the group of unprosecuted Postmasters [REDACTED]



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[REDACTED] ZP responded that given this we would need to think carefully of this in terms of any disclosures required in the accounts. CS agreed with this. NR noted the timing gap between the submission made to the Inquiry on compensation and commencing Stage 2 of the Inquiry, so felt that it was likely that Sir Wyn would deliver an interim report in the meantime.

NR left the Meeting at 16:31.

Approvals

SR advised that there were 3 items for approval and spoke briefly to these. The Chairman summarised the approval items.

HMBU – NBW Partners Funding & Part 1 Drawdown

TABLED and **NOTED** was a paper, 'Historical Matters NBW Partners Funding & Part 1 Drawdown'.

In relation to the proposed appointment of NBW Partners CS asked whether management were content with the supplier from a procurement perspective. TC shared his view that we were on risk here, and cautioned that any further phases of engagement would need to be undertaken very carefully.

The Board **RESOLVED** that the funding request for £514,000 to engage NBW Partners be and is hereby **APPROVED** for the purpose as set out in the paper, with authority **DELEGATED** to management to finalise the terms of the appointment, and for any one Director or the Company Secretary to be authorised to sign the terms of engagement.

HMBU – Historical Shortfall Scheme (HSS) Funding June 2022 - September 2022

TABLED and **NOTED** was a paper, 'HSS Pre-Offer Funding June to September 2022'.

The Board **RESOLVED** a funding request in the amount of [REDACTED] be and is hereby **APPROVED** to cover HSS running costs for the months of June to September 2022, with funds to be expended in line with the parameters within the paper.

HMBU – Historical Shortfall Scheme (HSS) Post Offer Funding June 2022 - September 2022

TABLED and **NOTED** was a paper, 'HSS Post-Offer Funding June to September 2022'.

TC queried the figures in the paper; noting that on HSS pre DRP the run rate was approximately [REDACTED] per month and that by September this run rate should have dropped out. TC requested that the out turn be reviewed. TC advised he had an issue with the DRP and queried how HSF Belfast could spend so much time on a mediation.

BT advised that he was not sure what was being costed here. SR replied that the costings



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were as per the budget that HSF have put up. BT advised that this seemed to be a bit back to front and that clarity was required around what HSF was doing, and that the HRC needed to be comfortable with that.

TC queried when the costing meetings with HSF were due to be held? SR replied that TC should have the diary invite and that the meeting was on 14 July 2022, with various preparation meetings scheduled up until that point.

The Board **RESOLVED** that the HSS Post-Office Funding June to September 2022 be and is hereby **APPROVED**, less the DRP element, which will be returned to the Board to consider subsequently.

8.2 Public Inquiry Update

TABLED and **NOTED** was a paper, 'Post Office Horizon IT Inquiry: Update'. BF spoke to the paper, advising as follows:

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The Chairman called for questions.

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The Board **RESOLVED** that the request for a funding extension for one month to cover the period until 31 July 2022 in the amount of £1.9M be and is hereby **APPROVED**.

8.3 Postmaster Detriment

TABLED and **NOTED** was a paper, 'Postmaster Suspensions Scope'.

The Board **RESOLVED** to **APPROVE**, subject to shareholder funding being secured:

- (i) Management be endorsed to take steps on behalf of the Company to proactively resolve all outstanding suspension remuneration detriment for Postmasters who had their contracts suspended prior to March 2019; and
- (ii) An 8% rate be added to unpaid suspension remuneration to address consequential loss.

SR, BF and FC left the Meeting at 16:45.

9. Procurement

TABLED and **NOTED** were the following papers:

- (i) 'Procurement Report';
- (ii) 'Banking Automation Deposit Devices (Lot 4)'; and
- (iii) 'Risk Note'.

LC joined the meeting at 16:47.

AC proceeded to speak to the materials provided, advising that a tender process had been conducted and of the 3 tender responses, 2 had won. AC advised that one of the tender winners had not met one of the mandatory requirements of the tender process however, and that this created some risk in terms of the procurement process.

LC spoke to the materials further, sharing his view that awarding to 2 suppliers would give the best balance between commercial terms and operational and procurement risk. LC noted that there had been performance issues with one of the tender winners previously, however these issues had been resolved. EJ asked for clarification as to what the tender winners would be supplying and whether this would be the TCR? EJ advised that what Postmasters had trialled was a product by the tender loser. EJ queried how we had reached a point where we had not tested the kit in the field. LH asked, if that was the case, whether there was a way to trial this kit before we implemented, rather than relying on a paper assessment. **ACTION** AC requested that this item be taken away and returned to the Board with an explanation of what testing had been undertaken. TC stressed the risk in making awards where mandatory terms had been set and not met this, and referenced another portfolio company where this had occurred with severe financial repercussions. BT queried whether the process could be cured by offering the tenderers the same terms? LC replied that the advice received was that the entire procurement process would need to be run again. SI contributed that he had not been provided with any information here and had understood that the strategy was not to pursue automation given funding constraints. EJ advised that it had been agreed that approximately 100 of these devices would be purchased. AC confirmed that this was the agreed approach.

LC

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ACTION BT requested that a lessons learned exercise from this be brought back to the Board. TC shared his view that the approach should be not to set mandatory terms, unless these really were mandatory. LC

LC left the meeting at 16:57.

Noting and Governance Items**11.1 Sealings**

The Board **APPROVED** the affixing of the Common Seal of the Company to the documents set out against items number 2117 – 2137 and 2139 - 2145 inclusive in the Seals Register.

11.2 Future Meeting Dates

The future meeting dates were **NOTED**.

11.3 Forward Agenda

The Forward Agenda was **NOTED**.

12. Any Other Business

The Chairman advised that he had received and circulated a copy to the Board of the Chair's objective letter, as received from the shareholder. The sale of Post Office Insurance was mentioned; TC reminded the Board that the Funding Agreement required that this be considered by the Board. ZP noted the sections in the letter which detailed the speeding up of compensation and the tightening of legal fees and shared that these parts of the letter had graded.

There being no other business the Chairman declared the meeting closed at 17:00.

13. Date of next scheduled meeting

Board Meeting – 12 July 2022 13:00 – 17:30 hrs

Strategy Day - 13 July 2022 9:00 – 17:00 hrs

Chairman

15/07/2022 09:09

Voting Results for Board Minutes from 07.06.2022 (approved on 12.07.2022)

The signature vote has been passed. 1 votes are required to pass the vote, of which 0 must be independent.

Vote Response	Count (%)
For	1 (100%)
Against	0 (0%)
Abstained	0 (0%)
Not Cast	0 (0%)

Voter Status

Name	Vote	Voted On
Parker, Tim	For	15/07/2022 09:09