



**POST OFFICE LIMITED BOARD MEETING**  
*Strictly Confidential*

**MINUTES OF A MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON TUESDAY 30 MARCH 2021 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ BY CONFERENCE CALL AT 11:45 AM<sup>1</sup>**

|                       |                   |                                                                                                   |
|-----------------------|-------------------|---------------------------------------------------------------------------------------------------|
| <b>Present:</b>       | Tim Parker        | Chairman <b>(TP)</b>                                                                              |
|                       | Nick Read         | Group Chief Executive Officer <b>(NR)</b>                                                         |
|                       | Tom Cooper        | Non-Executive Director <b>(TC)</b>                                                                |
|                       | Carla Stent       | Non-Executive Director <b>(CS)</b>                                                                |
|                       | Lisa Harrington   | Non-Executive Director <b>(LH)</b>                                                                |
|                       | Zarin Patel       | Non-Executive Director <b>(ZP)</b>                                                                |
|                       | Alisdair Cameron  | Group Chief Finance Officer <b>(AC)</b>                                                           |
| <b>In attendance:</b> | Veronica Branton  | Company Secretary <b>(VB)</b>                                                                     |
|                       | Max Jacobi        | Strategic Financial Planning and Analysis Director <b>(MJ)</b><br>(Item 5.)                       |
|                       | Dan Zinner        | Group Chief Operating Officer <b>(DZ)</b> (Items 5. & 6.)                                         |
|                       | Owen Woodley      | Group Chief Commercial Officer <b>(OW)</b> (Items 5. & 6.)                                        |
|                       | Martin Kearsley   | Product Portfolio Director – Banking, Payments &<br>Transactional Products <b>(MK)</b> (Item 6.1) |
|                       | Tom Wasilewski    | Head of Commercial Development (Item 6.2)                                                         |
|                       | Mark Siviter      | Product Portfolio Director - Mails, PUDO, Retail & Gov<br>Services <b>(MS)</b> (Item 6.2)         |
|                       | Zdravko Mladenov  | Head of Business Transformation Unit <b>(ZM)</b> (Item 6.3)                                       |
|                       | Catherine Stalker | Independent Audit <b>(CST)</b> (Item 7.)                                                          |
|                       | Richard Sheath    | Independent Audit <b>(RS)</b> (Item 7.)                                                           |
|                       | Jeff Smyth        | Chief Information Officer <b>(JS)</b> (items 8.4 – 8.6)                                           |
| <b>Apologies:</b>     | Ken McCall        | Senior Independent Director <b>(KM)</b>                                                           |

**Action**

**1. Welcome and Conflicts of Interest**

A quorum being present, the Chairman opened the meeting. 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**

The Board **APPROVED** the minutes of the Board meetings held on 26<sup>th</sup> January and 26<sup>th</sup> February 2021.

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

**3. Appointment of Tom Cooper as a member of the Nominations Committee**

The Board **APPROVED** the appointment of Tom Cooper as a member of the Nominations Committee.

**4. CEO Report**

Nick Read reported that overall performance had been good and provided an update on the trends, noting that there had been no major changes from a trading or branch network perspective, as well as in the financial services or insurance businesses during the period. The core deliverables of the Telco sale, the Amazon trial progressing, the publication of the Annual Report and Accounts for 2019/20 and the approval of the security documents had

<sup>1</sup> Participation in the meeting was entirely via Microsoft Teams from participants' personal addresses. In such circumstances the Company's Articles of Association (Article 64) require that the location of the meeting be deemed as the chairman's location. However, it was not deemed appropriate to record personal addresses on the Company record. As such, the Registered Office is recorded as the meeting location.



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been completed. The coverage of the Annual Report and Accounts 2019/20 had been balanced but with questions raised about POL's ability to fund the litigation costs. Activity was focussed on the Improvement Development Group work, including the key and urgent priorities identified in the Deloitte report. The work from the KPMG team had been disappointing initially but NR was having weekly conversations with the senior partner, and the work and resources provided were much improved.

The Board had asked questions about the work we were doing on culture, this included: "Adopt an area" for senior leaders; a "Week in the life of a Postmaster" training sessions for all colleagues; "Stronger together" events to better define our ways of working, all of which were leading to an all colleague conference at the end of April 2021. Our expectations of colleagues at different levels of the organisation would be set out with a framework to drive better performance. The work we were doing with Postmasters and to support Postmasters had been outlined to the Board by Amanda Jones, including the engagement with the senior team and how we were addressing issues raised, with a focus on fixing the issues that were within our control.

The key priorities from the Postmaster consultation were outlined. We needed to improve our communications cascade. NR noted that he had held conversations with a number of public figures about the Public Inquiry and they all agreed that we needed to make a clear distinction between the past and the present but that we could not "keep our heads down" and had to communicate actively. Tim Parker noted that most of the problems had occurred when Post Office was still part of Royal Mail Group.

NR reported that the interaction with the Inquiry Secretariat continued to be positive but the requests and timelines for the provision of information were not consistently structured. We were working through how colleagues could participate in the Public Inquiry's work most effectively and were supported in this regard by Lexington. We needed to keep reminding people that the Post Office colleagues today were working to make improvements. The reporting of the CACD judgments was likely to be uncomfortable and we needed to be proactive in our communications, making clear the distinction between the POL of the past and the POL of today. NR would be engaging in communication activities over the next few weeks to be transparent about what we were doing to manage today and tomorrow effectively. TP noted that it might be helpful to refer to historical Post Office to draw the distinction clearly.

NR noted the people challenge in the organisation as individuals were being asked to do more and to work quickly. We recognised this pressure but saw it as tied to the Public Inquiry timeline. However, while we could "run" as an organisation we did not have the capability to produce the changes needed in the longer-term.

A number of points were raised and addressed:

- Tim Parker asked about BEIS's thinking on the Judicial Review application of which they had been notified. Tom Cooper reported that BEIS had received a letter from Alan Bates and his lawyers stating that the Public Inquiry should be a statutory inquiry and setting out the reasons for that.
- Tim Parker was interested in the Postmasters' views on the Horizon system specifically. NR reported that criticisms were largely about the processes that wrapped around the platform which made operating Horizon complicated, rather than the system per se. TP noted that the gap between perception and reality vis-à-vis the Horizon system was critical. Al Cameron noted that he had been preparing for the Public Inquiry and the team had referred to a paper about the IT system which had described it as "not fit for purpose" but tracking back this had been do with the cost and sustainability of the system rather than its current operation. NR agreed that it was an expensive system to



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run, that it was “clunky” but that it worked. TP noted that we also needed to distinguish clearly between the different versions of Horizon.

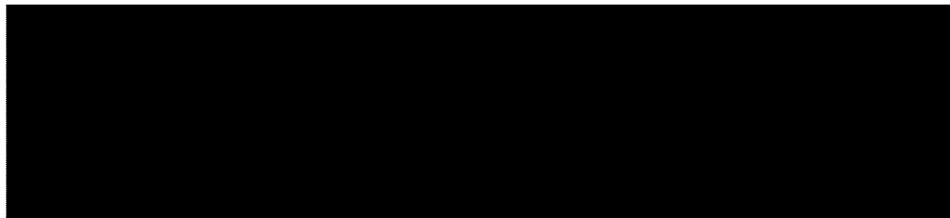
- Lisa Harrington asked about the return to office work. She noted that the organisation she was working for was trying to encourage people back into the office where this was important for creativity and collaboration. NR thought it was important to talk to colleagues about the approach and get their views, which we were doing. We would start more face-to-face working on an ad-hoc basis after 21<sup>st</sup> June 2021; however, our focus was on the Public Inquiry, and July and August should also be a time to give the senior team some scope to take holiday and come back refreshed for September. Carla Stent noted that in planning for the Public Inquiry some face-to-face discussions could be helpful.
- Carla Stent raised the controls around the Amazon trial and for engaging with further partners as the devices used were outside the Horizon system. NR reported that he had asked Mark Siviter and Zdravko Mladenov to address these concerns in their sessions later today. Lisa Harrington added that it was the integration rather than the device per se that was the issue.
- Carla Stent asked whether participation of 1,700 Postmasters in the consultation was a low number. NR thought not, given the historical levels of engagement but we needed to keep building our engagement levels. TP added that typical surveys drew in those with polarised views but it would be beneficial to increase Postmaster engagement levels overall.
- Zarin Patel raised a number of points:
  - with reference to the organisation “running hot” it seemed as though Dan Zinner was addressing the requirements to improve the Postmaster experience but she wondered who on the GE was able to step back and consider the overall risk and controls impact of the changes we were making. NR thought that for risk management there was an open question on whether we should bring audit and risks together in a GE level role. ZP noted that she had been thinking more about who the lateral thinkers on these issues would be on the GE. Carla Stent added that we should be bringing Internal Audit into more of the conversations about change, while a lot of the role sat with Al Cameron and Ben Foat. Al Cameron noted that outstanding audit and risk professionals were rare and if we wanted a strategic role for audit and risk we would need to approach this differently. Over the last year risk and audit had been affected partly by bandwidth and partly by a lack of confidence in being able to change the future. Tim Parker noted that first and foremost you needed good people in roles and one of the key challenges for POL was getting the right people in place responsible for taking the key decisions.
  - ZP wanted to understand our digital strategy on Mails following our current focus on the Public Inquiry as she was concerned that we were late to market. NR reported that he had asked to understand the BAU change management requirements in more detail. We had been slow to market and were working on PUDO and customer journeys at the same time. POL investments over the past few years had been focussed on the platform services.
  - ZP would like to have a discussion at the Board on the Postmaster consultation and the sense coming out of this that some Postmasters would prefer to be employees
  - ZP agreed that it was right to be proactive in our communications but wondered whether we would truly resolve the historical matters without an approach akin to a truth and reconciliation commission. Al Cameron noted that some of the Postmasters involved in the historical debate were seeking to obtain compensation from BEIS. POL should be agnostic about the type of inquiry run but be clear that we would support whatever type of inquiry was run. NR added that we should be clear that we thought Postmasters should be compensated where there had been

**Action:** VB to flag with Amanda Jones and add to forward agenda



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an injustice. TP noted that all parties had an interest in resolving the position of the past.



**5. Finance**

**5.1 Financial Performance Report**

**IRRELEVANT**

**5.2 Budget Plan for 2021/22**

Al Cameron introduced the budget plan for 2021/21. The team had reviewed this in detail with UKGI/ BEIS. We were not projecting a very positive trajectory for the reasons set out in the paper on trading uncertainties and the limited scope for cost reductions as it was not the right time to take significant costs out of the business nor would we want to reduce Postmaster remuneration. We had deliberately stopped further work on considering outsourcing options for Supply Chain. DMB franchising was linked to the affordability of change spend. While we could remove c400 roles from functions it would take a year to deliver on automation requirements and resources were focussed on the Public Inquiry work. The trading profit assumption was £4m better than it had been in January 2021.

Overperformance had been declining over time. NR noted that he had spoken with directors about this individually. Costs would be incurred addressing the Public Inquiry recommendations and the work also needed to take place in advance of the Public Inquiry. Tranches 3 and 4 of the Organisation Design (OD) would not happen this year. The revenue numbers were subject to variability and we were facing some significant headwinds. TP noted that this uncertainty in travel was true for Samsonite as well.

A number of points were raised and addressed:

- Tom Cooper thought the trading profit figure should be higher notwithstanding that we would not be able to remove significant costs this year and the trading uncertainty because of travel market and so forth. He did not want to set an unrealistic target but did want it to be challenging as a reward incentive. Al Cameron agreed that what was or not within our control should be recognised by the Remuneration Committee so if



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we received an additional sum from FRES that had not been assumed that should not increase the figures from a bonus perspective

- Zarin Patel asked about the Mails and Banking figures set out in appendix 11 of the paper and why the Mails market outlook was not as positive as it had been when agreeing the 4-year plan and whether were we being too prudent in our assumptions. Lisa Harrington noted that she had the same question but wondered whether it was primarily a timing issue. Al Cameron agreed that it could be a timing issue; volumes would increase after the trial period with Amazon but would not deliver significant profits immediately and the margins in Mails were low. Owen Woodley noted that the figures were better in the outer years of the plan. Max Jacobi added that Mails was one of the few areas better off from a trading perspective during the past year; however, the material upside in Mails had been offset by the impact of lockdown on the other businesses. OW added that it was difficult to anticipate the impact of lockdown on Mails in the future, for example, the benefits of home shopping appeared to be tailing off. Lisa Harrington noted that there would still be a material change in buying patterns into the future. Tim Parker noted that it would be important to track the changes under MDA2. Nick Read reported that we wanted to drive a different sales behaviour in Postmasters supported by Area Manager briefings but we were being prudent in our assumptions. Al Cameron added that there had been limited active sales among Postmasters historically so it would not be prudent to assume a radical shift in this pattern. TP explained that his point was more about RMG seeking to take business away from POL. NR noted that this was the biggest threat felt by Postmasters. ZP suggested that the Board look at delta on Mails at the end of Q1 trading to test whether our assumptions were too conservative.
- Carla Stent asked about the investment spend and prioritisation set out in appendix 8. Dan Zinner reported that we had taken out £36m of change spend this month. This linked to the deferral of OD changes and the slowing down of the DMB franchising programme. We would be prioritising any improvements linked to conforming with the judgments and £13-14m of spend linked to HNGA. DZ explained that some project names had changed and elements of work had moved around. Carla Stent noted that it would be helpful to show changes such as this.
- Dan Zinner explained that the £34m coming out of CIO costs related to headcount in response to a question from Carla Stent.
- Carla Stent asked whether we were still focussing on the strategic measures we had discussed in July 2020. NR confirmed that we were still focussing on Mails, Cash and Banking but we had less investment money available to us. We had changed our outlook on headcount for the reasons discussed already. Our assumptions had been more optimistic in July 2020 when we had not absorbed the implications of the Public Inquiry fully and had not assumed lockdown 2 and 3. Some of the changes were where we had targeted for self-serve arrangements for Postmasters, headcount reductions and greater speed of DMB franchising which would not be prudent now though the position could change in the future.
- Al Cameron noted that UKGI and Tom Cooper had challenged the HMBU budget and he agreed that the legal costs needed to be controlled. Some of the contractors in HMBU were paid above market rates. The trajectory was higher than the budget and this would be worked through. This might be a zero-sum game but should result in better controls.
- Tim Parker noted that there had been four or five meetings with UKGI/ BEIS about the budget but asked whether we were still in a position where it would be difficult for Tom Cooper to recommend the budget to the Minister with the trading profit assumption currently shown. Tom Cooper reported that he had shared the views that he had raised with the Board on the revenue line with UKGI/ BEIS. In aggregate the

Action: AC/  
MJ



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revenue lines seemed conservative; he had no particular issue with the cost line but thought the budget should be set in the region of £50-60m. We needed the Team to focus on a stretching target. Legal costs remained an issue of concern and UKGI/ BEIS had been flagging this since the summer. It was important that we avoid conflating the budget with an open and honest discussion on pay. TP asked what the next steps would be if the Board approved a budget which the Minister thought too low. TC explained that UKGI/ BEIS would have to provide advice to the Minister on whether or not to approve the budget. TP referred to the recent letter from UKGI which had raised historical outperformance, an apparent incremental £26m of benefits and the underlying performance of the budget being worse. He asked what we would do if we accepted a higher budget and then the team were significantly behind at end of Q1 as we wanted a budget that would be motivating for the Team while representing a challenging target. POL had a reasonably fixed cost structure outside of its legal costs. The real unknown issue was revenue. We could accept, for example, a higher assumption for Travel, if we took a view that that market would pick up significantly but a £60m budget was significantly higher than the £38m proposed. AC noted that the legal costs were an important issue but did not change the position on trading profit. There was a question of what levers we had to improve performance but AC did not think these existed to increase trading profit by an additional £10-20m and was not clear what we could do differently as an executive team. Tom Cooper suggested there should be a range to reflect a range of possible outcomes with outperformance not achieved until the top of that range had been reached; he felt it was a mistake not to set out the legal costs in this document and have a full discussion about this now. AC noted that we also had to reflect that we had a number of declining business lines and Max Jacobi reported that he had taken the UKGI team through the benefits, which were not entirely driven by project benefits. We had tried to be clear on how project benefits flowed through the business. TP noted that we needed to understand the declining elements clearly.

Action: AC/  
MJ

- TP noted that POL had consistently taken people out of the business over the last few years and struggled to understand any inefficiencies creeping into the business. NR reported that POL had around 3,500 employees, 1,000 plus worked in DMBs and circa 800 worked in Supply Chain but, at previously discussed, there were reasons for not progressing with options for outsourcing now. Ultimately, we wanted to reach a figure of c 1,600 – 1,700 employees. NR agreed that we needed to manage the legal costs differently and we would be addressing the issue.
- Carla Stent noted that there was material uncertainty around a number of factors and this made it difficult to produce a budget. We should work with the knowledge that we have, focus on investment spend, set a trading profit target that was stretching but achievable but look at this after the first quarter and second quarter and review the remuneration position following this. Tim Parker noted that we either accepted the fixed costs or we did not. We may not have the right answers on Mails and Banking but the team had provided their view on this. The one element we could take a view on was Travel and adjust the budgets if our assumptions on this were wrong. We had to back the Team and TP did not think there should be a range of figures. Al Cameron noted that the profit drop from FRES last year was circa £30m and the Travel market would not revive in Q1 this year but we could be clear on the profit assumptions for FRES and this was a binary output. TP noted that it was clear that there was disquiet at BEIS about an outcome that was lower this year than last but he was not comfortable with increasing the assumptions as much as proposed by BEIS. Al Cameron added that we were not assuming that we would make less money on a like-for-like basis this year than last year. We had sold the Telco business and had included £9m for declining business areas. Our starting point was £29m down. Dan Zinner added that we had an



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existential threat posed by the litigation and we had to fix all the issues we were uncovering. The cost structure would come under more pressure rather than less. Tim Parker noted that he would like to reach a position that the BEIS Team was likely to support.

The Board **AGREED** that a range of scenarios/ outcomes should be included for FRES and this would be worked through over the next few days. Otherwise, the draft budget for 2021/22 was **APPROVED** for submission to BEIS. The assumptions for Mails, in particular, would be reviewed at the end of Q1. The legal costs for HMBU would be addressed.

Action: AC/  
MJ

**6. Strategy Updates**

**6.1 Banking Framework 3**

Owen Woodley introduced paper. Today's focus was on agreeing a general approach to the next stage of the discussions with the banks and developments of the pricing framework. There was a "sweet spot" between the provision of counter services and maximising the value of the services provided, as well as addressing the reaction of the banks to BF2 and developments of alternatives to Post Office for deposits and withdrawals. Banking services were critical to POL revenue flows.

Martin Kearsley reported that the income for Postmasters from the provision of banking services had increased over the past few years. BF2 generated circa [RELEVANT] a year. A range of [RELEVANT] was included over three years for BF3 and the thinking behind the range was explained. It was proposed that we move from a stepped approach for numbers of transactions to a curve which was designed to encourage volume and moving withdrawals closer to a market rate to increase our competitiveness and discourage any banks from leaving the Banking Framework. [RELEVANT] was likely to take up the option to stay on BF2 rates. We wanted to avoid providing the banks with an ultimatum and to improve levels of trust. The final deal would be brought back to the Board for approval in June 2021.

Nadia Farr explained the approach to the work Accenture had undertaken. Phase 1 had been focussed on external findings and we now had a good overarching view of the market trends. There had been a deep dive into the views of the banks on the counter service role POL provided and [RELEVANT] had looked at the alternatives for service provision the banks had in place or could develop. Postmasters generally thought remuneration was fair but thought the framework could be more consistent across the banks. Services and what the fee covered was a more significant issue for the banks

[RELEVANT] There were some counter cash alternatives in place which were more established for withdrawals with ATMs and cashback which was experiencing a revival. The threats came [RELEVANT]

[RELEVANT]

Phase 2 of the work was the design phase with the objective of developing a more flexible service.

Martin Kearsley noted that some retailers, such as [RELEVANT] and [RELEVANT], were

[RELEVANT] In addition, Government was moving rapidly to allow

[RELEVANT] The top five banks in the Framework

were looking for a [RELEVANT] reflecting the [RELEVANT]

available for those in BF2 when moving to BF3. There had been a series of external engagements to guide us through the development of the model.

A number of points were raised and addressed:

- Tom Cooper thought the proposed approach made sense in aggregate, including [RELEVANT] However, he thought that the changes proposed to the [RELEVANT] because as our [RELEVANT] in the future we



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would [IRRELEVANT]  
We should also address the AML issue and provide an incentive for the banks to support full compliance and be able to provide a positive message on supporting a reduction in financial crime. Martin Kearsley reported that changing from a step system to a curve was to incentivise volumes by removing cliff edges. Our cost base was [IRRELEVANT] The proposal was to put a [IRRELEVANT] in and above this sum [IRRELEVANT] favourable to the banks. Our assumptions were that the [IRRELEVANT] up to [IRRELEVANT] We still had the [IRRELEVANT] Tom Cooper noted that he was not convinced of [IRRELEVANT] because of our [IRRELEVANT] This amounted to effectively [IRRELEVANT] and he could not see [IRRELEVANT] We were providing a service and in doing so should [IRRELEVANT] Al Cameron thought that maintaining a position that we [IRRELEVANT] unless we could be clear [IRRELEVANT] If

**IRRELEVANT**

- Tim Parker noted that the view had been that [IRRELEVANT] was the bank most likely to pursue alternatives to Post Office services and asked whether this was still the case. Al Cameron explained that the banks' position entering BF2 was that [IRRELEVANT] [IRRELEVANT] How satisfied or otherwise the banks were with our proposals would affect their approach in the discussions on BF3.
- Carla Stent remarked that when we had increased pricing for BF2 the banks had asked [IRRELEVANT] she asked whether our views on the [IRRELEVANT] because that could [IRRELEVANT] proposed. In addition, customer service had been raised as one of the "pain points" for the banks so it would be helpful to understand how these concerns had been investigated and addressed in the next report to the Board.

**Action:** MK for the June report to the Board

## 6.2 PUDO

Owen Woodley noted that the paper set out the position with the Amazon trial, the next steps in expanding this service and our work to secure DPD as a further partner. It had been announced that the CEO of DPD was leaving so we would need to see if this had any implications for our discussions. The team continued to develop the proposition and look at integration with Horizon.

Mark Siviter noted that PUDO was at the core of the strategy to make up market share as we entered MDA2. There was a roadmap for digitisation and we were working through the required mitigations as we entered MDA2 with variable pricing and the removal of the exclusive relationship with Royal Mail Group (RMG). RMG had reacted as was expected. There had been promotions for their Click and Drop service which was targeted more at social senders than small businesses; the latter was where the opportunities lay for Post Office primarily. The team were starting to see the numbers for more of the market as they had conversations with other potential partners. Hermes was promoting its service through free collection from people's doors and had already increased its market share. Post Office's job was to work through our strategy and de-risk any steps RMG might take that reduced Post Office's fees. The team were focussing in on: 1) what we needed to do to support the new network model with frictionless customer journeys and switching out of the Horizon system that made more services available 2) expanding the digital platform, including Drop and Go but with some additional elements such as E-Bay integration and taking more control of the digital capacity; 3) giving consideration to building an online sales channel. The plan was to come back to the Board in July 2021. It was true that we



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were late in joining the market but the principal reason for this had been our previous exclusivity deal with RMG. Our Mails work still represented c70% of the market. 87% of Postmasters were better off under MDA2 agreement on a like- for-like basis.

A number of points were raised and addressed:

- Lisa Harrington asked about financial integration, operational robustness and feedback on the developments from Postmasters. Tom Wasilewski reported that those branches participating in the Amazon trial were averaging 3-4 items a branch per day. We were still at an embryonic stage and were seeking to extend this capacity in two areas: 1) inbound parcels with customer collection and, 2) customer drop off. Other services were harder to run and less predictable. The team were running a co-creation group with Postmasters to consider solutions for managing capacity constraints and how to address problems that arose. Integration with the backend systems was being worked on over the next month. LH asked how we would obtain assurance that the system was working, particularly if it involved Postmaster remuneration. TW noted that the Amazon trial was a separate stream of work running on separate devices but we wanted to integrate our PUDO services with Horizon. Al Cameron noted that this would be a major piece of work. Remuneration integrity was a significant element of the SPM work and the SPM team had been having conversations with the PUDO team but a lot of new requirements had emerged from these conversations and we needed to come back to the Board with a view on this. Carla Stent noted that we would need to weigh up the risks and returns. AC would bring back a paper to the 3 June 2021 Board meeting covering PUDO integration with Horizon, cashless branches and SPM integration. Tom Cooper noted that Payzone outlets already operated without cash and asked whether we could leverage this opportunity. AC agreed that we needed greater integration with Payzone but needed to consider legal and competition issues carefully. The options for greater integration with Payzone were going to be discussed by the GE in April 2021.
- Tim Parker noted that there seemed to be significant activity in the PUDO market, including Hermes increasing their market share significantly. Mark Siviter thought that an optimal position for Post Office would be to continue providing RMG Universal Service Obligation (USO) products, expanding our service with IRRELEVANT and IRRELEVANT but via a IRRELEVANT IRRELEVANT

Action: AC

The Board **NOTED**:

- i. The launch of the Amazon Click and Collect trial
- ii. The roadmap and releases for the PUDO project.

### 6.3 SPM

Zdravko Mladenov provided a progress update. There had been a significant amount of activity across the business and we were due to launch 400 non-Horizon locations on the 1<sup>st</sup> of September 2021. The SPM Team was being developed by pairing internal and external expertise. A governance model had been agreed with UKGI/ BEIS. Approval of the multi-year business case would be sought from the Board on 3<sup>rd</sup> June 2021 which would then be sent to BEIS for review over the summer. Programmatic and technical assurance work would be undertaken on the SPM work, including on remuneration calculations. The focus over the next three months would be putting in place the 400 non-Horizon locations and developing the business case.

A number of points were raised and addressed:

- Lisa Harrington asked how the SPM work fitted with the Belfast Exit plan. Zdravko Mladenov reported that we needed to rebuild some of the elements that we had



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originally thought could be “lifted and shifted” from the Belfast data centre as a black box. Jeff Smyth and Zdravko Mladenov had been in regular discussion and agreed that the migration of elements could only happen once but did not yet have all the solutions in place. This issue did not relate to the database which was being taken out of Horizon.

**Action: ZM**

- Zarin Patel noted that the Board would want to have a deep dive into the business case before approving it as this was going to be one of the biggest decisions it would be making. Lisa Harrington added that we should bring the board together to show the work taking place with live demos.
- Carla Stent asked about when the Board would have sight of the assurances on the programmatic and technical aspects of the Programme as this that would help the Board to sign off the business case. It was confirmed that the assurance work would be paid for by POL but both POL and UKGI/ BEIS would receive the advice. It was proposed to “piggyback” this work on existing controls using existing providers. Carla Stent advised that care needed to be taken to get this right as the approach described had not always been successful in the past.
- Lisa Harrington asked whether the team had sufficient resources, noting that there had not been significant simplification of the product sets. Zdravko Mladenov reported that we were proceeding well with the resource requirements for the technical team but more resource was still be needed in other areas.

The Board **NOTED** the progress update on the Strategic Platform Modernisation (SPM) programme and **APPROVED** a drawdown of £4.68M to deliver a range of concrete outcomes and deliverables until June 2021 including (a) continuing the technical development to launch the 400 new ‘Horizon-free’ Express propositions; (b) completing the multi-year business case for UKGI/ BEIS; (c) completing the future Device and Peripherals Strategy; (d) scoping the legal changes required to commercial agreements affected by Horizon; and, (e) identifying the options to deliver better Branch MI to Postmasters in the next 12 months.

**7. Independently facilitated Board review**

Catherine Stalker introduced the Board review for 2020, noting that the objective was for the Board to be able to ask questions about the report and discuss what it wanted to do next in light of the recommendations. The headlines were that the Board had good foundations on which to build notwithstanding the pressures of recent times, with a focus on resolving past issues. A clear strategic direction had been set. All directors were aligned on the goals for Post Office. There was a good range of strengths and expertise on the Board with a strong Chair, good working relationships and a good company secretariat.

Five areas of focus were recommended:

- 1) determining where the Board wanted to spend its time with a clear forward agenda.
- 2) dealing with succession challenges, including making time to discuss the executive team who were critical to the future of POL. This should include the Board spending time with Nick Read so he could use the Board as a sounding board and so the Board had insight into the pressures on individuals.
- 3) Putting in place a timely plan to manage the succession of some long-standing board members and to integrate new members, including the two new postmaster NEDs.
- 4) time needed to be spent on culture. One means of acquiring information on this could be a culture dashboard. The NEDs also needed to get out and about more once they were able to. This had happened less than on some other boards Independent Audit had reviewed.

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- 5) there had been good development of the Risk Management framework but the Board needed to stand back from the risk processes and structures to look at the impact and the value. Risk management needed to add value to how things were running in the business and a learning culture needed to be developed.

A number of points were raised and addressed:

- Carla Stent noted that we had devoted a lot of time to risk so it was sobering to consider how much more needed to be done; she had had conversations with Al Cameron and Nick Read about this and the approach that might be taken to drive a more operational approach to risk management.
- Zarin Patel noted that “grounded trust” was a good phrase and we had been more risk averse that we might otherwise have been because of the changes taking place and the Public Inquiry, but we needed to take a shift in the direction as proposed in the Report.
- Lisa Harrington noted that she agreed with the points made in the report, including needing to get out and about more. The relationship with our key stakeholder had not been commented upon much and that had surprised her. Catherine Stalker explained that Independent Audit had reviewed many organisations that were overseen by UKGI. There was an inherent conflict in being a shareholder director but the POL Board was managing it in the best way possible. Tom Cooper’s participation was valued by the Board and, like a private equity director, he had greater involvement and access to more information than other directors, but there was no suggestion that changes should be made.
- Tom Cooper noted that he understood the points raised on culture but there were some limitations to this. It was hard to “get your arms around” culture. One could state your ambition and what you wanted to achieve but it was difficult to check and assess whether the organisation was actually doing this. Tim Parker thought that the authenticity of management was critical to culture. People had to see that what you were saying was what you were actually doing. We needed to talk much more about Postmasters as a Board. We were only beginning this shift in focus but over time we would capture people’s hearts and minds. Changes in culture were never instantaneous but all of us wanted the culture to change. Catherine Stalker agreed that culture was driven by the management team and that it was hard for a board to stay in touch with this but nevertheless there had not been evidence in the papers and discussions on culture coming through to the Board as a significant topic. A focus on culture would be both data driven and through the individuals reporting to the Board (e.g. the Group People Officer and the Head of Internal Audit) and there was also the “sniff test” of seeing how things operated on the ground. Richard Sneath added that useful discussions could be sparked by the Board asking the executive how they drove the right behaviours which also brought alive what was happening on the ground.
- Al Cameron noted that he had been reflecting on how we had spent our time as a board, the agenda we were driving, and the time spent responding to requests. Some of the legal issues were very important but we also needed to recognise that BAU and strategy were key for the longer-term success of the business. Tom Cooper noted that the Board would nevertheless need to spend time overseeing the management of the compensation schemes. Tim Parker noted that while much time had been spent on reviewing individual cases referred to the Court of Appeal this had helped us set parameters for the approach to future cases and to reach the conclusion that the appeals should not be opposed in the overwhelming majority of cases which had been vital. Boards only had a finite amount of time and the theme of the Report was that our aspiration must be to focus more on BAU and strategy in future. Colleagues were keen to revert to a more strategic view. TP also agreed with the points raised around succession planning and talent in the Report.



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- Carla Stent asked what Independent Audit's advice would be as we brought the new Postmaster NEDs on board. Richard Sneath noted that Independent Audit had experience of pension trustee boards. It would be important to make sure that the Postmaster NEDs were fully involved in the Board's discussions and decisions and their contributions were encouraged and heard. Tim Parker agreed that the Postmaster NEDs must be treated as equal players and would try to get the right balance between encouraging contributions while recognising that it took some time to get up to speed if you were new to a board. Catherine Stalker added that it could be beneficial for existing NEDs to go on some of the induction visits with the Postmaster NEDs to help forge those relationships.

Tim Parker referred to the "quick wins" included in the Report. Some decisions, such as holding the ARC and Board meetings on the same day, had been to try not to impinge too much on people's diaries. However, all of the points were worthy of consideration and we would be following up on the recommendations positively and review these again in July 2021.

**Action:** VB to include on July agenda

**8. Approvals**

**8.1 Annual Governance Report**

The Board **NOTED** the following to which no changes were proposed:

- (a) The Delegated Authorities from the Board, including subsidiary companies and liabilities and indemnities (full document in Reading Room, summary in Appendix 1)
- (b) The delegations in place for the authentication of the Company Seal (Appendix 2)
- (c) The Board Committee Terms of Reference (ToR) reviews and the Review of Matters Reserved to the Board (full reports in Reading Room, summary in paragraph 4)
- (d) The Directors' Register of Interests (Appendix 3).

The Board **APPROVED** the Authorised Signatories to which changes were proposed because of changes in roles and responsibilities (Appendix 2).

**8.2 Network Strategy, including DMB Funding**

The Board:

- **APPROVED** the exit and replacement of 57 DMB branches in 2021/22 at a cost of [IRRELEVANT] generating [IRRELEVANT] annual recurring benefits.
- **NOTED** the progress in developing new light-touch formats and plans for further piloting and roll-out during 2021/22.

Nick Read reported that next month we would announce the end of the moratorium of franchising DMBs which was the right thing to do strategically to move to a fully franchised organisation.

**8.3 Procurement Risk Exceptions**

**a. PREN29 – Public Affairs Services**

The Board **APPROVED** an extension to an existing non-compliant direct award by an additional 3-month term to Lexington Communications Ltd for the provision of specialist parliamentary and government advice. This was required in order to maintain service continuity in relation to the public inquiry.

The existing contract for the provision of advisory services in relation to ongoing and potential inquiries had a value of up to £173,000 (until July 2021 - £101,000 having been spent to date) but now required a further extension for an additional value of £332,889. The total value of the spend for the Services would be £505,952.

**b. Delegated Authority Request – Microsoft Enterprise Agreement**



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The Board:

- **APPROVED** the award of the contract to Microsoft Limited for the supply of Software and Services up to a value of £12.5m with a forecast cost of £8.85m over a 3-year contract.
- **DELEGATED AUTHORITY** to the Chief Information Officer to finalise and approve the final agreement as Contract Owner in accordance with the commercial terms set out in the paper presented to the Board. The contract would be executed by an approved authorised signatory.

**c. Delegated Authority Request – Property, Facilities Management Services and Security**

The Board:

- **APPROVED** the award of the contracts for: hard Facilities Management Services; soft Facilities Management Services, security Grapevine Services (Planned & Reactive Security Services - Alarm Monitoring & Maintenance, Criminal Intelligence etc) up to a value of £150m\*, with a forecast base cost of £74.5m (£14.8m p.a. aggregate excluding project related work) over a 5-year contract (being an initial term of 5 years for lots 1, 2 & 3 with a further 3-year extension option available for lot 3 (at a cost of ~£18.6m excluding project spend, for years 2026-2029)).
- **DELEGATED AUTHORITY** to the Group Chief Finance Officer to finalise and approve the final agreement as Contract Owner, in accordance with the commercial terms set out in the paper presented to the Board and including the permitted three one-year extensions in due course. The contract would be executed by an approved authorised signatory.

*\*advertised OJEU maximum value.*

It was noted that the business case should come back to the Board if the projected spend was significantly higher than that shown in the paper. Al Cameron noted that we expected the spend to fall as we reduced our property footprint.

**d. Delegated Authority Request – Media Planning & Media Buying**

The Board:

- **APPROVED** the award of the contract to CARAT Limited for the supply of Media Planning, Buying and Attribution services up to a value of £65m\*, with a forecast cost of £48.2m over a 5-year contract (being an initial term of 2 years, plus three permitted one-year extensions).
- **DELEGATED AUTHORITY** to the Chief Commercial Officer to finalise and approve the final agreement as Contract Owner, in accordance with the commercial terms set out in the paper presented to the Board and including the permitted three one-year extensions in due course. The contract would be executed by an approved authorised signatory.

*\*advertised OJEU maximum value*

The OJEU process to aggregate POL's Media Planning and Buying services had concluded.

Al Cameron reported that spend in this area included all the aggregator spend. Nick Read explained where the responsibilities in this area lay in the business and we would come to the Board to look at this work again in due course.

**Action:** VB to include on forward agenda

**e. Delegated Authority Request – Affiliates & Aggregators**

The Board:

- **APPROVED** the award of the contract to AWIN Limited for the supply of Affiliates and Aggregators Network and Management Services up to a value of £50m\*, with a



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forecast cost of £23.7m over a 5-year contract (being an initial term of 2 years, plus three permitted one-year extensions).

- **DELEGATED AUTHORITY** to the Chief Commercial Officer to finalise and approve the final agreement as Contract Owner, in accordance with the commercial terms set out in the paper presented to the Board and including the permitted three one-year extensions in due course. The contract would be executed by an approved authorised signatory.

*\*advertised OJEU maximum spend.*

This OJEU process - a separate Lot under the Media OJEU – had concluded delivering POL a compliant and direct contract without agency margin overhead.

**f. PREN31 – Digidentity**

The Board **APPROVED** an extension to an existing non-compliant contract by an additional 13-month term to Digidentity Ltd, from 31 March 2021 to 22 April 2022 for the provision of “Verify Services” (online identity registration service) to Post Office, required in order to meet Post Office contractual obligations to UK Verify.

It was **AGREED** that our plans for developing our digital identity service would be included on the agenda for the July 2021 strategy sessions.

**Action:** VB to include on July agenda

**8.4 PCI Compliance Programme**

The Board **APPROVED**:

- £4.1m additional funding for the PCI Compliance Programme (taking total programme funding to £19.9m).
- up to an additional £3m to be made available if required. These funds would need to be requested, with justification, for approval by the Investment Committee.

Carla Stent noted that the costs of the PCI Compliance Programme continued to increase and asked whether we were seeking to contain the Fujitsu costs. Jeff Smyth reported that our confidence in the completion of the contract was growing and we were now into the banking pilot phase. There were not many “unknowns” left but it was always possible that we would identify further areas that required PCI compliance.

**8.5 Fujitsu Horizon Negotiation**

The Board:

- **APPROVED** the award of the extension to the term of the Fujitsu Horizon Agreement for the supply of Application Services from 1 April 2023 (“Extension CCN”).

The duration of the extension would be for a further 1+1 year period (one year was contracted from execution of the extension and extended the agreement from 1 April 2023 to 31 March 2024, the optional extra year could be committed to no later than 31 March 2023 and extended the agreement from 1st April 2024 to 31 March 2025 (together the “Proposed Extension”). The forecast spend was estimated at £21.3m p/a (£42.5m estimated total), some spend was variable and demand based, and there was no minimum commitment.

- **DELEGATED AUTHORITY** to the Chief Information Officer to approve the extension as Contract Owner in accordance with the commercial terms set out in the paper presented to the Board and including the permitted 1+1-year extensions in due course. The extension(s) would be executed by an authorised signatory.



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It was reported that we would be publishing a Voluntary Ex-Ante Transparency Notice (VEAT) notice, following which there could be challenge but we would be publishing a s72 notice setting out the legal justification for the approach taken.

**8.6 Belfast Exit**

The Board:

- **APPROVED** a drawdown of £9.03m to fund project activity until the end of October 2021.

This would deliver migration of the Horizon database to AWS and the Branch cutover, whereby all branches would be connected to AWS rather than Belfast. The programme would return to Board in September 2021 to confirm delivery progress and propose next steps.

**Action:** VB to include on Board forward agenda

- **NOTED** the revised approach to the migration which split the remaining delivery cost (c£19m spend to complete) into two priority sets; *Priority One* being mandatory to avoid the cost/risk associated with running Horizon on out of date, unsupported software during the 2021 peak trading period and *Priority Two* completing Belfast datacentre exit (and for which options to replace rather than migrate would be investigated as a way to avoid cost duplication with SPM)
- **NOTED** the engagement of an external consultancy to validate the division of scope into two priority sets and to support POL efforts to optimise *Priority Two* scope delivery with an update/recommendation to the Board in June 2021.
- **NOTED** the updated project milestone dates.

**Action:** VB to include on Board forward agenda

It was noted the Jeff Smyth and Zdravko Mladenov were discussing the Belfast Exit Programme and the SPM Programme and the interfaces between the two regularly.

**Noting and governance items**

**9.1 Health & Safety Report**

The Health & Safety Report was **NOTED**.

**9.2 Mails Regulation paper**

The Mails Regulation paper was **NOTED**.

**9.3 Telco sale and completion update**

The Telco sale and completion update was **NOTED**.

**9.4 Historical Matters Business Unit Report**

The Historical Matters Business Unit Report was **NOTED**.

**9.5 Postmaster NED appointments**

The Postmaster NED appointments paper was **NOTED**.

**9.6 Sealings**

The Board **APPROVED** the affixing of the Common Seal of the Company to the documents set out against items number 2031 to 2056 inclusive in the seal register.

**9.7 Future Meeting Dates**

The future meeting dates were **NOTED**.

**9.8 Forward Agenda**

The draft agenda for 3<sup>rd</sup> June 2021 was **NOTED**.

**POST OFFICE LIMITED BOARD MEETING**  
***Strictly Confidential*****10. Any Other Business****Independent Director with a legal background**

Tim Parker referred to Tom Cooper's note regarding appointing an independent director to the Board with a legal background to help provide further oversight of the work on historical matters, including the administration of the compensation schemes; TP asked for the directors' perspectives. Tom Cooper explained that the new director might be a General Counsel of a large company who understood governance and could provide a legal challenge, including on cost issues to the HMBU team which was not led by a lawyer. This experience and oversight were needed, not just in relation to the Historical Shortfalls Scheme but also for the criminal cases which could continue over a number of years while needing to free up Board time for the BAU and strategic matters. BEIS would not remove responsibility from POL for oversight of historical matters.

A number of points were raised, including:

- Al Cameron agreed that the work and costs of the external legal teams needed to be managed carefully but did not understand why that should be a Board position. It also needed to be recognised that there was an independent panel dealing with the HSS offers. Tom Cooper noted that the HMBU controlled most of the activities and BEIS did not want to have day-to-day responsibility for these issues.
- Zarin Patel thought it made sense to have a legally qualified director on the Board as the position for the Board could become more complicated with the civil claims; however, with the Postmaster NEDs there would be a large Board and we needed to make sure that we appointed the right person. We did not want to create a shadow General Counsel and so needed to work through the practicalities of how this role would work.
- Carla Stent noted that she was reassured that this individual would be an independent director. Our structure as a Board would need to be considered if we were going to split ourselves into sub-committees to allow the Board to focus more on strategy. Tom Cooper noted that the Board should not need to spend nearly as much time on individual litigation cases in the future. A Board sub-committee on historical matters could allow Board meetings to focus on BAU and strategy. NR agreed that the day-to-day management for historical matters was not right yet. It would need to be determined how we would expect the new NED to operate and what their accountabilities would be as well as needing to resolve the underlying executive structure. NR saw the overall benefit of having a lawyer on the Board because of the contractual issues that needed to be resolved.
- Tim Parker noted that the large amount of public money at stake meant that BEIS needed to have confidence in the approach we were taking. We wanted someone with relevant expertise akin to Lisa Harrington's in IT and transformation which enabled her to have input into the IT and SPM teams' work which the other NEDs could not. Tom Cooper confirmed that this would be a non-executive role and he envisaged the time commitment being somewhere between that of the Remuneration Committee and ARC Committee Chairs. Nick Read would need to decide the best construct for the executive deliverables. Tom Cooper would discuss the proposed approach with Lisa Harrington in more detail outside the Board meeting. The appointment request to BEIS would need to be made before the next Board Meeting. A Panel from the Board would have to interview the shortlisted candidates following the advertising and shifting processes.

**Internal Audit fees**

The Board **APPROVED** an increase of £150k in internal audit fees for the 2019/20 financial year.



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There being no other business the Chairman declared the meeting closed at 16.15 hrs.

**11. Date of next scheduled meeting**

3<sup>rd</sup> June 2021.

  
Chairman 23/06/2021 22:55

**Voting Results for Board Minutes 30.03.2021 (approved on 03.06.2021)**

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

| <b>Vote Response</b> | <b>Count (%)</b> |
|----------------------|------------------|
| For                  | 1 (100%)         |
| Against              | 0 (0%)           |
| Abstained            | 0 (0%)           |
| Not Cast             | 0 (0%)           |

**Voter Status**

| <b>Name</b> | <b>Vote</b> | <b>Voted On</b>  |
|-------------|-------------|------------------|
| Parker, Tim | For         | 23/06/2021 22:55 |