POST OFFICE LIMITED BOARD MEETING (Strategy Session 2)
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MINUTES OF A STRATEGY SESSION OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON WEDNESDAY 28 JULY 2021 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 08:55 AM

Present:	Tim Parker	Chairman **(TP)**
	Tom Cooper	Non-Executive Director **(TC)**
	Ken McCall	Senior Independent Director **(KM)**
	Carla Stent	Non-Executive Director **(CS)**
	Lisa Harrington	Non-Executive Director **(LH)**
	Zarin Patel	Non-Executive Director **(ZP)**
	Saf Ismail	Non-Executive Director **(SI)**
	Elliot Jacobs	Non-Executive Director **(EJ)**
	Ben Tidswell	Non-Executive Director **(BT)**
	Nick Read	Group Chief Executive Officer **(NR)**
	Alisdair Cameron	Group Chief Finance Officer **(AC)**
In attendance:	Veronica Branton	Company Secretary **(VB)**
	Richard Taylor	Group Corporate Affairs, Brand and Communications Director **(RT)**
	Tim McInnes	Strategy and Transformation Director **(TM)**
	Dan Zinner	Group Chief Operating Officer **(DZ)**
	Martin Edwards	Network Strategy & Delivery Director **(ME)** (Item 2.)
	Owen Woodley	Group Chief Commercial Officer **(OW)**
	Chrysanthy Pispinis	Commercial Strategy & Planning Director **(CP)** (Item 3.)
	Mark Siviter	Product Portfolio Director - Mails, PUDO, Retail & Government Services **(MS)** (Item 3.)
	Zdravko Mladenov	Director – Business Transformation Unit **(ZM)** (Item 4.)
Apologies:	N/A	

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. Session 2 - Network: Approaches to making the network more sustainable, and Post Offices more sought after

Dan Zinner introduced the discussion. The Board's endorsement was being sought on the direction of travel and the team would come back to the Board with specific business cases. DZ explained the background to the current position with Network Transformation, the reduction in Government services and some Post Office Locals needing dedicated staff to run the Post Office side of their business. Postmaster remuneration had declined while churn had IRRELEVANT The network was running at a IRRELEVANT

The proposals for increases in Postmaster remuneration still represented a standstill position. The modelling work was not exact but it provided a reaffirmation of what we already knew. Half of branches were loss making or marginal but remuneration increases alone were not the full answer. There were a number of network stability measures, including automation and simpler branch propositions, that needed to be made. The new branch definition was not a panacea but it did help and getting the shape of the network right was important. We needed to make changes to remuneration but also enable top line growth.

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Automation and options, economics, and timing.

Martin Edwards reported that the MDA2 remuneration announcements would be made in September 2021. Contractual change was a longer-term objective which would allow us to move away from the Mains and Locals segregation. The shift in the shape and format of the network was one of the biggest levers we had. Proposals for long-term remuneration reform would not be until Q1 2022.

ME outlined the options for purchasing automation equipment and Postmasters' use of that equipment. We had to factor in the software costs, licence costs, maintenance costs, and configuration costs in store and there were four economic approaches to Postmasters' use of the equipment: 1) rental charge/ reduced remuneration; 2) charges to Postmasters netted off against costs; 3) cost sharing; and 4) fully funded by POL.

DZ explained the options under consideration for targeting increases to Postmaster remuneration. This included differences based on geographical location, linked to products or a mixture of the two. Targeted remuneration was having a positive effect on churn in some instances and there was an argument for looking at targeted top-ups in some cases but is could be divisive as some branches would not qualify for top ups. The feedback we received most was that the return for deposit transactions was insufficient.

A number of points were raised and addressed:

- Zarin Patel noted that Strategic Partners needed to be part of the plan and DZ confirmed that Katie Secretan would be including them in the plan
- ME reported that the automation measures would principally be staff facing tele-recyclers and customer facing cash deposit machines. The latter Improved customer experience but the devices were not inexpensive so we needed to test the business case and carry out pilots
- Ken McCall asked about using equipment from banks which were closing and ME explained that this equipment could not always integrate. KM thought that we should at least explore this as an option to see if the equipment could be stripped down and re-used. Tim Parker also thought it was worth being proactive in this area. Owen Woodley added that it could tie into whether we could build strategic partnerships with the banks for a longer-term agreement on the Banking Framework. Elliot Jacobs noted that cash automation also provided another layer of security in branch
- ME reported that proposals on cash automation would come back to the Board in November 2021. We would be looking to purchase off the shelf equipment and there was a Government framework in place for procurement. SPM would provide a device agnostic platform and we wanted to accelerate automation for Mails
- TP asked whether we had researched what was happening in Mails in other countries, noting that Germany and the Scandinavian countries were often ahead of the market. ME confirmed that the position in other countries had been reviewed but their product journeys were often simpler
- Saf Ismail asked whether we were looking at the business case for acceptance only SSKs, as well as fully functioning SSKs. ME confirmed that we were considering simplified models and drop boxes for parcels. EJ asked how drop boxes would be set up so they did not need to be emptied very regularly. This was a proposition that would affect the configuration of branches. DZ reported that there had been some mock-ups of the arrangements and the requirements would be different for different branches so it would be important to pilot to look at issues such as this. Lisa Harrington thought that the key to this was simplicity and avoiding multiple different formats. EJ added that it was also helpful for customers to have one type of machine with which to familiarise themselves

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- TP asked whether we were going to discuss RMG's approach to pricing, as its complex approach to charging would ultimately be undermined by competitors and the long-term sustainability of this approach was questionable with the tariff structure and acceptance requirements a driver of complexity. Al Cameron added that POL might be able to offer a simpler product to other partners which would sharpen RMG's focus on the need for simplification
- Ken McCall noted that the option of POL fully funding the automation equipment depended on the overarching strategy, noting that we had an overall objective of network stability. We could look at options like zero interest financing for the equipment and could be creative and innovative. Tom Cooper thought that cost sharing seemed like the natural option. Automation in smaller branches could make running a Post Office much more attractive and reduce churn and we could make a positive case for BEIS funding. There might not be a direct return on investment (RoI) but automation would help the sustainability of the network. TP asked whether the complexity of the product set made automation difficult for smaller Post Offices but TC noted that this would not be the case for the new model of Post Offices
- EJ noted that there was work to train the customer when automation was introduced, though it would reduce costs in the longer term. DZ agreed and there would still be back-office work to undertake and some intervention still needed to assist customers in branches. LH and EJ did not think that the automation equipment should be entirely funded by POL but it needed to help. We needed to look at the life expectancy of the equipment and amortize the payments and installation costs over that period. AC noted that we should be clear that we were not saying that we could fund these costs across all of the uncommercial parts of the network
- Ben Tidswell asked why running the network of 11,500 branches had to be cross-subsidised if Government paid a subsidy for the uncommercial part of the network. TC explained the background to this and that the Government wanted to incentivise management to reduce costs by not paying the full network subsidy. Carla Stent noted that the different formats proposed for Post Offices were designed to improve the sustainability of the network. TP added that there was a question of how many branches we could get into a profitable position; we wanted branches to be profitable in their own right or profitable in conjunction with their retail business
- TC noted that 50% of POL's revenue came from Mails and the high 20s for banking; therefore, it seemed unlikely that we could resolve remuneration issues by focussing on banking transactions without looking at Mails transactions as well. ME explained that the responses proposed to the MDA2 remuneration consultation were short-term transition measures to address immediate concerns. EJ added that the labour and risk associated with banking transactions were not being rewarded fairly currently. TP noted that without understanding the totality of what was paid out to Postmasters we could not understand fully the impact of particular transactions on particular branches; therefore, we should revisit the fixed and variable payment structure. Every branch had a handicap of some kind or another that had to be taken into account. We did not know who was making excess profit and who was making below par profit. We could not ignore the structure of the unit. CS added that we should at least be paying the minimum wage equivalent for the time taken to process a transaction. LH noted that payments could sometimes balance out between different transactions types but CS thought we still had to consider the construct. DZ reported that there was information in the Reading Room on the time it took to process particular transactions and what POL paid for each transaction type. AC cautioned that it was difficult to look at product-by-product transactions in isolation. Some transaction fees were in the Postmasters' favour so we had to look at the economics overall. CS recognised this but

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added that as POL was "doubling down" on cash and banking so we needed to pay particular attention to those transactions

- BT noted that there were some places where we would want to incentivise particular transactions. AC noted that we had learnt from Network Transformation that while variable remuneration ought to incentivise Postmasters to sell more it had only worked in practice for the most entrepreneurial Postmasters and this was one of the challenges posed by the model
- TP noted that he would like to understand better the unit for the Postmaster and how they could generate profit, including different models for different types of Post Offices, and the different types of remuneration in place for different branches. We needed to be able to see the most profitable Post Offices in the country, what profit they were making and how. AC noted that not many Post Office were highly profitable currently
- SI noted that the top-up payments provided by POL had been limited and costs had increased with increases to the minimum wage. DZ reported that we had mapped out a package of measures which took into account increases in the minimum wage and so forth. ME added that automation, remuneration increases and the response to Starling would shift the profitability curve upwards and reduce unprofitable branches to c20%. But a lot of work would be required to shift the profitability curve. DZ noted that this fed into the longer-term changes needed to become a modern franchise business
- TC noted that unlike other franchises, POL did not receive money upfront from franchisees. DZ observed that franchises like Costa and Paypoint drove limited profits for their franchisees though the products and services they were selling but drove footfall. POL sat in the middle of the franchise proposition where at one end of the spectrum limited effort was required of the franchisee and at the other end they were running a full-scale business. TP asked whether we could demonstrate the footfall we provided for those running a retail business and have a different conversation with a Postmaster just running a Post Office. EJ noted that the latter model did not work but that simplicity and labour costs were key across the network. SI noted that this would still not resolve the legacy issues. TP asked whether we were we equipping ourselves to close unprofitable Post Offices and replace them with profitable retailers. EJ added that if we paid more to unprofitable Post Offices now we would keep needing to pay more money to them in the future and it might be better to have a one-off exit arrangement. DZ noted that we were in the process of setting up 400 Drop & Collect branches to start changing the shape of the network
- TP asked whether by looking at Post Offices in the top cities in the UK we would be able to say how they differed from an optimally profitable franchise. In multi-site operations it was usual to analyse how much profit you were making in the big cities in the UK. For example, if you there were a DMB just offering postal services, could there be a profitable option such as having two smaller outlets which had a retail business as well?
- Nick Read noted that we would not be making contractual changes now. The changes to remuneration rates would be contract restatement, not contract reform. Contract reform would not be happening in the next year. LH ask whether we would have to recontract for SPM and AC reported that we had taken the view that this would not be a requirement. DZ added that the principal objective was to deliver SPM successfully and on time. EJ asked whether we could start consulting on contract reform in advance of the roll out of SPM. SPM could be rolled out in 2024 and the new contract could be aligned with the provision of new equipment. The potential advantages of this approach were acknowledged but there were also significant risks associated with trying to do too much at once

- CS noted her concern that some discussions, such as those on Post Office formats, had taken place on a number of occasions. We would have to take some brave decisions to move us forward or we would lose our relevance as a company; this was about what the shape of the network overall should be
- TP noted that he had concerns about remuneration being linked to transactions until we understood the position overall. CS noted that it should nevertheless be possible to take some short-term "no regret" decisions. TP agreed that Postmaster remuneration needed to be increased but we needed some comfort that the money was going to the right places. AC noted that there would never be a perfect model and there would always be some tactical shoring up requirements
- TP noted that notwithstanding the challenges we faced, we should not underestimate what we offered to customers. We had a totally different offer to every other franchiser and we needed to remember to set out what we did offer for customers and Postmasters. SI observed that the last 18 months had demonstrated the value of Post Office clearly.

3. Session 3 - Commercial: Strategic options to expand in mails, and wider commercial growth opportunities

Owen Woodley introduced the discussion, highlighting the consequences of the changing Mails market and the measures we might take as a consequence. MDA2 had introduced a different financial construct and had removed POL's exclusive relationship with the RMG. We needed to move quickly to establish our position in PUDO and recognised the risks of RMG disintermediation (POL accounted for 21% of RMG mails volumes). Our PUDO focus was on Click and Collect initially but we would be introducing returns and undeliverables. Amazon and DPD both wanted to roll-out across much of the POL network.

The market was characterised but tight margins and the need to drive operational efficiencies. We were handicapped by our legacy position. Amazon logistics and Hermes had been the big winners in the development of the PUDO market, while DPD was positioned at the premium end of market. However, POL was not competing with carriers but with other network providers; we had 20% market share in PUDO but wanted to double that over the next 4 years.

The Mails market was in decline overall. Market place sellers were increasingly moving online. Acceptance only margins were low. POL's Drop & Go was not competitive enough currently. POL would have to make the shift online but we had to consider how much we could move up the value chain in doing so and we did not have enough digital skills currently to build a white labelled proposition.

Chrysanthy Pispinis reported that POL had the "right to play" in three parts of the Mails market currently and these were described. We had an opportunity in the marketplace for drop off. We would be enhancing our proposition by digitising our journeys and we were prioritising this work by addressing known "pain points" for Postmasters.

A number of points were raised and addressed:

- Lisa Harrington asked who was likely to be able to compete with POL under option C to become a White Labelled Mails carrier as this could influence how quickly we needed to develop our proposition. It was reported that Collect Plus had scope to operate in this space. Elliot Jacobs noted that the benefit of being white labelled was that you could chose to switch providers. OW noted that we did not have the luxury of time when considering the implementation of any of the options. Mark Siviter explained that POL was in a unique position as we already had the volume and brand and it was hard to see another provider being successful in launching a white labelled product. Doddle had tried to do this but did not have the volume at the outset to be successful.

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We no longer had an exclusive relationship with RMG and needed to make use of our ability to forge other partnerships swiftly

- EJ reported that it took some time to explain RMG's products to customers and POL was required to offer those products. Under these proposals we would be adding in more product options from more providers. CP noted that if we pursued option C, we would not be pursuing option B (sell online as a parcels aggregator). There would need to be a lot of processing in the background to make this a simple enough proposition. OW added that we could not bring option B into the branch network, it would have to be online. SI noted that the RMG product mix was quite complex and it took a lot of time to train staff. Option C helped with simplicity. With Drop and Go options A and B could not be integrated with other providers. Option C should drive income for Postmasters but we could always revert back to options A and B. We needed to simplify the RMG journey and it was noted that the CEOs of POL and RMG had discussed this
- SI asked about the limitations on the product set POL could sell and OW reported that the main issue was whether we could find a partner/s for whom the margin worked for option C
- Tim Parker asked what we would do if we wanted to maximise the long-term profitability of the parcels business, noting that people did not ascribe a lot of value to the other parcel shops. RMG still had a big share of the market so could we work in a way with RMG to make this a worthwhile proposition for both companies? Could we pursue options A and B and have white labelled product as well? Al Cameron noted that this was an industry where market share was changing significantly. The key question for us was whether entering a number of partnership arrangements increased our market value, as had been the case with the Banking Framework. Acquiring market share now did nevertheless seem to make sense. Nick Read thought that improving the customer journey could make this a joint proposition with the RMG but it was clear that we would need to take on other employees to develop this proposition
- Ken McCall noted that we had to consider what the position might be in five years' time and it would be important to leave ourselves with some optionality and avoid being tied in with too partners so that we could adapt depending on their fortunes. We would have to trial different activities in different places and the options set out could apply differently in different locations. There was a question of whether we could find the customers for option C but option B would be more profitable if we could. We had to make the move online recognising that this was "cannibalising" ourselves. OW thought that going online and PUDO would not be enough in the longer term and he would look at KM's points about applying the different options in different places
- EJ observed that in-flight deliveries would become a more common market service. It made sense for POL to build the Drop and Go option and we needed to evolve this into a service our customers would want to retain. We could consider a white labelled option just in Drop & Go
- KM noted that the complexity in option C was having to turn yourself into a carrier and the issues associated with returns/ undeliverables. We needed to understand the consequences of these changes, for example, someone coming into a branch would hold us responsible for losing their parcel. EJ noted that this already happened for RMG parcels
- KM noted that the margins for RMG were high and wondered whether we should be focussing on the international market with an aggregator. MS noted that RMG had recently lost 50% of their international volumes and POL could play a part in that market. KM thought we should be focussing on parcels internationally where the margins were much greater. This should not just be the model but also the

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segmentation. International delivery fitted with us being in the travel market. Immediate delivery was also a growing market

- TP wanted to test a contrary view where we focussed on working with RMG to make the service we could offer as partners more attractive. There were low margins in PUDO although it brought some benefits for Postmasters but was it better to adapt our network to be a better trading partner for RMG? KM noted that this situation had arisen in the US and had marginalised its post office. We had to address the volume shortfall and we needed more than one partner
- Tom Cooper noted that our core business was our network. Developing an aggregator model for PUDO was akin to creating another insurance business. TP asked whether that offered the chance for another provider to take a stake in Post Office. TC thought that a core test was whether we were generating more business through the network. EJ added that he thought this was more about value than volume and what gave us more sustainability in the network. TC thought we needed to consider how we increased the volume of international parcels through the POL network. AC thought we should be less focussed on whether something went through the network than on whether it was profitable.
- TP asked whether POL could set up its our own parcel business which was much simpler then RMG's and where the balance of power rested in the relationship with RMG. It was noted that RMG's value was being eroded by other providers and more competitive brands would gradually take away more of its market share. OW said that the executive would look again at the war-gaming we had been done before MDA2 and TP noted that we needed to consider how that might now be different
- KM observed that other providers wanted to work with POL because of our network. We did not want to become a parcels storage point but did want to offer PUDO. The most successful part of RMG was GLS and that was international. If we were going to offer a white labelled product it should be in this market. We would not have to choose between the options but could choose a hybrid; however, we first needed to understand the economics of the international market in more depth
- TP noted that the debate had focused too much on volume and not enough on value and there were options that might be beneficial for Postmasters but not for POL. EJ noted that if the options worked for Postmaster, there ought to be less churn in the network
- KM noted that he would like to talk more about the charging model for PUDO, for example, different rates for the city, the suburbs and rural areas which ought to make some of the less profitable Post Offices more profitable. He was not convinced by one flat rate charging model and thought we should either be looking at volumes or a network access fee. A dual commitment would be important
- TP asked why we would choose to do a deal with DPD rather than a number of other partners; he also thought it worth exploring whether we could make things work more profitably with RMG. A relationship needed to be of some scale to be profitable
- MS noted that RMG expected that we would begin to sell other providers' products. Disintermediation was not just about moving to acceptance only. RMG could set up with another partner if they wished to. The previous CEO had wanted to retain exclusivity in the relationship with POL. There was value in the international market but RMG was losing significant market share and while it was worth looking at moving into this market and the premium market, we needed to be careful not to add further complexity in branch. The Team would look at the suggestions made by the Board and refresh the options we had looked at with McKinsey previously. There had been a dynamic shift in the market with Brexit and with the inbound market the de minimis issue had arisen, making it no longer sensible to look at single parcel deliveries

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- TP asked what we had to offer DHL. MS reported that we were talking to DHL about PUDO and the reseller agreement (access here was the costliest customer acquisition). KM noted that we could take one global partner to keep things simple and DHL were the best partner globally and had a premium offer. KM added that we needed to understand the dynamics of the international market. SI asked whether we could categorise which providers were best for which parts of the world internationally **Action:** OW/ MS
- Zarin Patel noted that she would be interested in understanding our Shareholder's perspective on option C.

Commercial opportunities

OW introduced the discussion on product opportunities. We were still focussed on the core but we also needed to assist Postmasters to run their businesses more efficiently and promote their businesses better locally. We wanted to test the "ecosystem" proposal with the Board.

A number of points were raised and addressed:

- KM reported that he had seen some procurement models work well and there were a lot of common products used by Postmasters; however, we faced a challenging 18 months, responding to the Statutory Inquiry, working through MDA2 and Postmaster remuneration while trying to grow our core business. We had concerns about bandwidth and had to have a laser focus on Parcels, PUDO, the Network, Postmaster remuneration and SPM. ZP agreed with this perspective, especially with limitations on investment spend. KM asked who would progress this within POL. OW clarified that were not suggesting that we had the capability to set up a service internally but neither would it require investment funding
- EJ thought there might be some "quick wins" that did not entail significant work for POL but the product proposition would need to be right
- LH thought the proposal seemed to be more about creating a benefit for Postmasters than a commercial proposition. DZ asked whether we could ask the NFSP to do this
- TP noted that he would be content to set up a provision that would be good for Postmasters if this initiative did not require investment funding
- SI thought it could be a good idea and reduce the workload for Postmasters. It would also be good to have similar product lines throughout branches
- CS had reservations because of the potential to get the pricing wrong
- KM would support the provision of this initiative becoming an objective of the NFSP with some support from POL. EJ noted that a simple set of core products could be provided through Branch Hub.

The Board returned to the conversation on PUDO that had started on 27th July 2021. OW reported that there would be a flat price for DPD transactions and a tiered pricing structure for Amazon. Ken McCall noted that we should be seeking to have geographical pricing. TP added that we did not want these arrangements to constrain our earlier discussions on the potential for a deal with DHL in the international market. OW reported that DHL were interested in running a trial with Post Office for international mails. KM added that we needed to continue considering having a network floor and a network access fee.

The Board **APPROVED** Post Office Limited entering into contractual agreements with Amazon and DPD for the provision of Click and Collect services.

The Board **DELEGATED AUTHORITY** to the Group Chief Executive Officer and Group Chief Commercial Officer to finalise the agreements within the red lines set out in the paper presented to the Board on 27th July 2021 and subject to all necessary legal assessments.

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4. Session 4 - Technology: Enabling business transformation with new technology (e.g. SPM, Branch Hub and Data)

Zdravko Mladenov introduced the discussion which was seeking input on the strategic intent for technical platforms and setting out what we were trying to achieve. We would need the Board's help to narrow down the scope of the solutions. We would be discussing how this set of platforms underpinned the programmes that the Board had been discussing during the strategy sessions. The platforms would enable PUDO to be delivered across the network, integration with other providers and an improved day-to-day experience for Postmasters.

The first decision needed to be taken in October 2021 on whether we built or bought a base EPOS system. We could buy off shelf and customise, which would require us to buy licences, or we could build our own system, which would require time. We had narrowed down to five the EPOS systems we could buy and we were researching the costs of building our own system.

ZM described the options on devices and the two main questions that would be coming back to the Board about this and the drivers for these.

A number of points were raised and addressed, including:

- Zarin Patel asked whether most retailers would choose to buy or build an EPOS system. ZM reported that most retailers would buy an EPOS system but for most it was a simple proposition. ZP noted that it would be helpful to understand the criteria for the options
- Tom Cooper noted that our uniqueness with Mails and Banking seemed to make it hard for us to buy off the shelf
- Elliot Jacobs asked if we could buy a platform and add in our own components and it was confirmed that this was already happening
- Al Cameron thought we needed to think about the costs of future change which were high under the Fujitsu contract. ZM reported that future change costs would be one of our key criteria
- Saf Ismail asked how Postmasters would receive their data and ZM reported that we did not have an answer on integration yet
- AC noted that we had been hearing about local supply chain problems for devices and asked about the risk of waiting until January 2022 until taking this decision. Lisa Harrington agreed that the longer we waited the greater the risk. ZM explained that information on cost and Postmaster feedback were two things we needed before taking this decision. Tim Parker noted that we could not risk the delivery of the programme by taking too long to research this or getting feedback. Trade-offs would have to be made we had a very tight delivery timeline. LH added that we might not be able to procure our preferred option. EJ added that we did not need to have decided on platform to choose the hardware and we should identify the options quickly. AC noted that we could make a choice quickly to get a bigger device where parts could be switched out quickly. TP added that what we were going to provide in the future would be much better than what we had in place already
- SI asked what the cost difference was between an off-the-shelf system and one you built yourself and asked how it would integrate with the back-end system. ZM explained that the options and costing would come to the October Board meeting
- Carla Stent asked whether we had investigated leasing devices and ZM explained that this was not a viable option at the scale we were looking at and with the requirement to remove old equipment from Postmasters. LH noted that configuring the new devices would be a major undertaking

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- TP noted that we would need to consider space requirements and how that impacted Postmasters but his instinct was to avoid customisation and contain cost and complexity
- AC asked whether we could proceed with purchasing larger devices for larger branches. LH cautioned that this could introduce the need to test multiple devices. TP thought that the Board should take the decision in October 2021 will a full understanding of the risks and where equipment that could be demonstrated.

Sourcing Strategy

ZM set out the approach proposed to develop a Sourcing Strategy and the need for this. We had "piggy-backed" on existing contracts but wanted a longer-term view of our preferred partners. This was not just about SPM but also about operational delivery in all the categories we needed to move across. We would be better placed to deliver with best-in-class providers, a diversified supplier base and one or two strategic partners who understood us well and allowed us to contain procurement complexities. The downsides of lengthy lock-ins with strategic partners were that you tended to pay higher prices and they had little incentive to build their capabilities. The Sourcing Strategy would be brought to the Board for approval in March 2022.

A number of points were raised and addressed:

- TP thought that we needed real optionality to do deliver SPM ourselves if we needed to. LH noted that this would be a major challenge for POL. ZM reported that there were options if SPM did not deliver on time. If we had to we could in-source Horizon if SPM were not delivered by 2024 and with the Fujitsu contract only extended until 2025. AC warned that only a limited number of Fujitsu employees understood Horizon fully and many of these were close to retirement
- EJ noted that pushing automation harder and faster should have a real benefit in reducing churn rates. DZ noted that he appreciated that automation would be a real benefit to Postmasters but we came back again to the need to avoid taking on too many activities at one time. LH added that we were not yet at a stage to be able to roll out automation and Fujitsu were already resource constrained so it would not be advisable to take them off their current areas of focus
- LH noted that the "Plan B" proposed for SPM was feasible. Jeff Smyth had been spending a lot of time with Fujitsu so had a good view on how that team operated.

Data governance

ZM explained that the work on POL data governance was nascent and there was a portfolio of work to be pulled together in order for an end-to-end data function to be set up for POL. ZM described the main components of that programme and the main options we had. Some decisions had been deferred previously, for example, the version of the Credence system we used had been released in 2007 and ZM had started work on a cloud-based replacement for this.

ZM noted that most organisations had a self-serve approach to data and that was where we should move to in the longer term and described the five options set out for our approach to data governance.

CS asked how much of the data cleansing we would be able to do prior to migration and AC asked how much data we would want to migrate across. ZM explained that we would have to archive the legacy data. Cleansing of the underlying data would be hard as the data quality was variable. CS thought we would need to set up a data cleansing programme and have a "line in the sand" for what data would be migrated and the period of time this applied to. EJ thought it would be prudent to move across as much data as we could from Credence as soon as possible. Ken McCall noted that we could you use a collection criterion linked to when data were last used. The business had to make a decision about data it was not using and also look at the recoverability of data. CS noted that there was also a customer and cultural perspective on this issue. AC thought that it should be feasible to stop producing data that was not really used but there was a broader issue around data ownership and governance which needed to be in place for the longer-term and we needed systematic systems for keeping the data correctly. ZP supported removing data that was no longer used as long as we did not need that data for compensation purposes. TC asked how we knew if the right data was in the data lake and it was explained that we could not know this for certain but could rationalise our data set. TP thought it would be helpful to get people to review the reports produced and then work out what reports were actually needed based on whether the data was used and whether it added value. LH noted that in some companies data had been cut off and an appeals process put in place for people to argue for its reinstatement.

The options for data governance were discussed and the consensus was that an approach between options 3 and 4 over a period of time would be sensible and it was noted that funding was included in the 3 Year Plan for this work. Option 5 could be pursued on a slower timeframe on a case-by-case basis.

Branch Hub 2.0

The direction of travel for Branch Hub 2.0 as the main portal for communication and support for Postmasters was discussed. The Board supported to this proposition and the discussion focused on prioritisation requirements which would in turn drive funding requirements. ZM explained that Branch Hub 2.0 was forecast to cost £10m through to March 2024 but the request now was for the first half of the funding in 2020/21. The development areas drew on feedback from Postmasters including being able to access branch data; making onboarding and training simpler; ease of access to information; access to support; convenient access to IT support; and being able to use Branch Hub in branch.

Only 93% of branches were registered on Branch Hub and 36% of visitors only visited once a week so further adoption was a priority. There would be a reduction in the "cost to serve" if Branch Hub picked up all the functionality we needed. ZM described the components of Branch MI that we wanted to be able to provide for our Postmasters.

A number of points were raised and addressed:

- EJ thought that having even basic data on Branch Hub would be a significant improvement and a full suite of data would give people the tools they needed to make their branches work better so it was important to get to a point where this information could be accessed on a mobile device as fast as possible. AC agreed that the provision of MI would make a huge difference to our Postmasters' day-to-day lives
- KM asked when Branch Hub had gone live and it was reported that the first version had gone live in August 2019 and had moved to work on Service Now in December 2019. Registration rates had increased significantly during Covid-19. We had c1,000 Branch Hub users but were not sure about the extent of its overall use. KM noted that other information channels would need to be closed to drive the use of Branch Hub. NR noted that this had to be driven by content and EJ added that it also needed to be possible to access Branch Hub on a mobile device. LH noted that we had said last year that we would use the Area Managers to drive adoption. DZ agreed that the concept of closing down other channels was right but that we could not do this until we had more content and easier access
- TP noted that the business was cash constrained but the development of Branch Hub was seen as a £10m priority over the next three years and it was agreed that this should ultimately help take costs out of the business, make self-serve the norm and

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reduce calls to the call centre. It would also provide consistency in the help and information provided. SI noted that it would be important to see who was using Branch Hub and for Area Mangers to encourage and support Postmasters to start using it. ZP noted that when the business case came back we needed to be able to demonstrate the real benefits the investment would deliver.

5. Any Other Business

Tim Parker thanked everyone for their contribution to the discussions enabling the Board to take decisions about portfolio allocations and to discuss the major options; this had been supported by good papers and background material.

There being no other business the Chairman declared the meeting closed at 3.30 pm.

GRO

Chairman 14/10/2021 10:06

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Voting Results for Strategy Minutes from 28.07.2021 (approved on 28.09.2021)

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	14/10/2021 10:06