



POST OFFICE LIMITED BOARD REPORT

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| Title: | Board and Committee Evaluations 2019/20 | Meeting Date: | 8 th April 2020 |
| Author: | Veronica Branton, Company Secretary | Sponsor: | Ken McCall, Senior Independent Director |

Input Sought

The Board is asked to:

- **NOTE** and **DISCUSS** the Board and Committee evaluations for 2019/20 (**Appendix 1**). The Committees will consider their reports and proposed actions at their next scheduled meetings
- **APPROVE** the recommended actions to address points raised and areas which may require development.

Points raised/ areas for development:

- i. More Board time should be spent on the cultural changes required for the business to deliver the post GLO agenda and the Purpose, Strategy and Growth (PSG) outputs
- ii. Board papers and discussion should focus more on customer and market views and the competitor landscape; more testing of change spend and the delivery of these benefits; greater inclusion of external perspectives and the Postmaster voice
- iii. The lack of deep technical expertise on the Board to challenge the IT Strategy was raised, with the suggestion that we might consider having an IT advisory committee or some independent expertise
- iv. Q10: Review of past decisions received an average score of 2.6
- v. Q11: How seriously the Board takes the development of individual directors and the Board as a whole received an average score of 2.8
- vi. More non-executive discussion time was suggested.

Recommendations:

- i. Include culture as part of the post GLO operations report to each Board meeting and include within the discussions at the Board Strategy days.
- ii. Provide a bi-annual expert view to the Board on the customer/ market/ competitor landscape which should inform business priorities.
- iii. Change spend: request that the executive provide a paper which shows change spend versus plan, the return on investment and how the projected benefits have flowed through to the P&L.
- iv. External perspective and the postmaster voice: **A.** Introduce external speaker/ guest slots at Board dinners and/ or at Board, with Board Directors invited to provide suggestions. **B.**



Inclusion of the postmaster voice to be considered as part of the wider discussion on communications and engagement post GLO, including the role of the National Federation of Sub postmasters (NFSP).

- v. Select a past decision for review at the May or July 2020 Board meeting and plot reviews into the Board agenda periodically.
- vi. Board training and development: **A.** CoSec to provide details of PWC, legal firm and UKGI/ BEIS briefing sessions on topical Board issues (developments in governance, law, accounting, IT etc.)¹ **B.** The executive to recommend briefing sessions where there is a Post Office angle or implication for an issue, such as cyber security.
- vii. Increase the number of NED sessions from two to four a year and schedule in advance of every other Board meeting.

Previous Governance Oversight

The Nominations Committee approved the questionnaires at its meeting on 11th February 2020; these reflected suggestions made by the Committee Chairs.

Executive Summary

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

The Nominations Committee agreed at its meeting on 23rd September 2019 that the externally facilitated evaluation should be deferred until December 2020 and an internally facilitated evaluation run in March 2020. This was to reflect the changes in the Board and the wish for new directors to have attended a number of meetings before being asked to comment on their operation.

The Board questionnaire mirrored last year's to allow comparison across years but with additions to reflect areas of particular focus for the organisation (e.g. the Purpose, Strategy and Growth work) and in corporate governance (e.g. culture and diversity).

The Board Directors and Owen Woodley, Chief Commercial Officer, and Ben Foat, General Counsel, who are regular attendees at Board, were invited to participate in the Board Evaluation and all did. The questions, average scores and a summary of the findings are at Appendix 2. The Committee questionnaires also largely mirror last year's.

Questions addressed

1. How have we implemented the actions from last year's Board evaluation?
2. What are the findings from the Board Evaluation 2019/20?
3. How do last year's responses and this year's compare?

Report

4. **Actions from the Board Evaluation 2018/19**

The actions from the Board Evaluation 2018/19 were:

¹ We have contacted PwC and the firms signed up to our legal framework and a number have confirmed that our directors are able to attend their briefing sessions as part of the "value add" from the contracts. UKGI/ BEIS also notify us about briefing sessions for NEDs.



- a) to add in agenda items for topics and areas on which the Board wanted greater focus: franchising, retail formats and operating models, updates from thought leaders on technological developments, postmaster needs, updates from the CIO and HRD, succession and talent management, updates on material strategic initiatives and how financial and delivery risks were being managed.

The Board had discussions on franchising, retail format and operating models as part of the agents' remuneration discussions in the summer and as part of the Purpose, Strategy and Growth (PSG) work in the autumn. The PSG work included McKinsey's analysis of our systems and capabilities in IT and digital but there have not been separate presentations from thought leaders on technological developments. The CIO changed during the year and IT Strategy has not featured strongly beyond the decision to defer and then re-accelerate the Belfast Data Centre Exit Plan. The HRD changed during the year but the new Chief People Officer is reporting back on the key HR issues at each Remuneration Committee meeting. A session on succession planning was held in April 2019 and a further session is proposed later in 2020. Postmaster needs have been a central focus through the GLO, agent remuneration and PSG discussions. More detail on material strategic initiatives and the financial and delivery risks have been included in the quarterly change report to Board; however, it is clear from the 2019/20 evaluation that more focus is still sought in this area and that more external perspectives and briefings would be welcomed.

- b) to drive more focus in Board papers on the competitor landscape, how strategic initiatives address strategic pressures, the financial impact and performance of proposals, the causes of trading and other movements, more discussion on alternative options and the factors that caused the recommended option to be preferred, enhanced data on customer needs to support options relating to new distribution channels and product offerings.

Board papers are reviewed at GE meetings. Guidance was produced to accompany the new Board paper template and highlights the need to link proposals back to strategy, consider the financial and legal implications, risks and mitigations and reflect other options considered. A section on stakeholder implications is included in the decision template. The PSG discussions and work have reinforced the drive to focus on the core with fewer distractions, for evidence based decisions and for external perspective. It is clear from the Board Evaluation for 2019/20 that further focus in these areas is still needed.

- c) to hold at least two NED only meetings. *Held on 28 January and 27 November 2019.*
- d) for the Board to consider from time to time whether it wishes to review any of its decisions. *No dedicated retrospective reviews of decisions have taken place but the Board asked for additional information and analysis in a number of instances, including on agents' remuneration, the change in scope of the legal entity optimisation project, the Belfast Data Centre Exit Plan, the Payzone transition costs, Telecoms, the Global Payments Agreement.*

5. Findings 2019/20

All sections within the questionnaire² achieved an average score higher than 3 ('good/at the required standard') but a number of individual questions had an average score below this (2 = "requires development")³. The highest scoring questions were:

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



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| Q27. iii. | How would you assess the Board's approach to considering the following stakeholder needs/ views when taking decisions: Special Shareholder? | 4.3 |
| Q5. A. | How effective are the relationships between Board Members? | 4.1 |
| Q12. | The quality and value of NEDs' contributions at board meetings. | |
| Q21. | How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required?) | |
| Q2. i viii | How would you rate the Board's understanding of the following areas of the Business and areas of business transformation: - Retail - Compliance | 4.0 |
| Q.3 | How would you assess the Chairman's encouragement of debate within the Board, including ensuring that all directors are able to contribute to the discussion? | |
| Q14. | How effective are the EDs in assisting the Board's understanding of the business issues? | |
| Q15. | To what extent do the EDs act in a collegiate manner with the overall interests of the business in mind? | |
| Q25. | How effective are the communications between the Board and the management between formal meetings? | |

The lowest scoring questions were:

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| Q10. | To what extent does the Board review past decisions? | 2.6 |
| Q7. | How strong is the Board's understanding of the business' competitors? | 2.7 |
| Q11. | How seriously does the Board take the development of individual directors and the Board as a whole, and where it needs to improve? | 2.8 |
| Q27. v. | How would you assess the Board's approach to considering the following stakeholder needs/ views when taking decisions: Suppliers | 2.8 |
| Q27. vii. | Digital Identity | 3.1 |
| Q18. | How would you rate the management information received by the Board and its timeliness (i.e. is it the right information at the right time to provide you with the assurance you need and the understanding of the business you need)? | 3.1 |
| Q27. i. | Customers | 3.1 |



The comments support the direction of the strategy, with the Board's focus on the performance of the core business, testing investment spend and the benefits delivered rigorously and concluding the issues arising from GLO, including the cultural changes needed. The latter includes bringing in external perspectives, including Postmasters and customers, understanding our markets, competitors and emerging trends to support evidence based decisions.

6. **How do last year's responses and this year's compare?**

A number of themes continue from 2018/19 to 2019/20, particularly around understanding the external environment better in fast developing markets, proposals being better supported by data and the need to be clearer on the value and benefits to be generated by investments.

Greater focus on Postmasters and customers was highlighted in the 2018/19 review but is a central theme in 2019/20 attached to the post GLO requirements and the PSG work with cultural change to drive accountability and a customer and Postmaster centric Post Office. The scores on our approach to considering stakeholders needs and views have declined, with the exception of the Special Shareholder, possibly reflecting the view that the Postmaster and customer needs and their perceptions of the Post Office need to be understood and responded to more effectively.

Next Steps & Timelines

7. The ARC, Remuneration Committee and Nominations Committee will be asked to consider their evaluation reports and proposed actions at their next scheduled meetings in May 2020.
8. The Nominations Committee will be asked to review progress with the implementation of the actions agreed from the Board Evaluation 2019/20 at its meeting on 22nd September 2020.



Appendix 1

2019/20 Board Evaluation Questionnaire

| | Question | 2018/19 Average | 2019/20 Average |
|-----------|---|-----------------|-----------------|
| A. | Skills, experience, diversity, knowledge | | |
| 1. | How appropriate is the composition of the Board for the requirements of the business? | 4.3 | 4.0 |
| 2. | How would you rate the Board's understanding of the following areas of the Business and areas of business transformation: | | |
| i | Retail | 4.0 | 4.0 |
| ii | Financial Services and Insurance | 4.3 | 3.5 |
| iii | Telecoms | 3.2 | 3.2 |
| iv | IT | 3.4 | 3.3 |
| v | Risk | 3.8 | 3.5 |
| vi | Banking Framework | 4.2 | 3.9 |
| vii | Digital Identity | 3.3 | 3.1 |
| viii | Compliance | (new Q) | 4.0 |
| ix | Corporate Governance requirements (including the increased focus on diversity and stakeholder reporting) | (new Q) | 3.9 |
| x | Aligning all of the above into the work on Purpose, Strategy and Growth | (new Q) | 3.4 |
| | Average for section = | 3.8 | 3.6 |
| | Additional Comments: <ul style="list-style-type: none"> Like most boards, we lack deep technical expertise to challenge the IT strategy. This could be facilitated by having an advisory IT committee or some independent expertise (reporting to the Board). There is an emerging awareness around Digital Identity which should be enhanced with future discussions and support from experts. PSG out turn not received yet at the time of completion of questions. Given the diversity and complexity of the business, it isn't possible for the Board to have deep expertise in any specific sub-sector. Overall, however, I think the Board is well equipped to deal with POL's issue. One area where I think we are light is having deeper IT expertise to enable us to challenge management in this key area for the company. Q4 – PSG is re-inventing the strategy and re-wiring the organisation and relationship with postmasters and customers and requires the Board to effectively oversee how the strategy is being delivered. For me post GLO the Board needs to improve the organisation's focus on making stronger well thought through decisions, for example on technology. | | |
| B. | Leadership, ways of working, time management | | |
| 3. | How would you assess the Chairman's encouragement of debate within the Board, including ensuring that all directors are able to contribute to the discussion? | 3.5 | 4.0 |
| 4. | How effective is the Board at focussing on the right issues (e.g. gaining an appropriate level of assurance on how strategy is being implemented and the business is being run, setting strategy, providing support and challenge to management). | 3.6 | 3.7 |



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| 5. | How effective are the relationships between: | | |
| | a. Board Members | 4.2 | 4.1 1 = N/A |
| | b. Non-Executive Board Members and Management (in providing both support and challenge) | 4.2 | 3.6 1 = N/A |
| | Average for section = | 3.9 | 3.8 |
| | Additional Comments: <ul style="list-style-type: none"> The Chairman has actively encouraged debate and sought out opinions of all Board members. This should improve further with the new NEDs. Chairman must encourage more Executive and NED input before he provides his views. Although I think Board members are very willing to contribute, I think NEDs with particular expertise could be invited to comment first. We are not always disciplined about giving all Board members an opportunity to speak. It would also be helpful if we could be clearer about recording the decisions that have been taken which has caused confusion at times (e.g. Telecoms). While the onus is on management to provide high quality Board papers and base recommendations on good data and analysis, this has been a weakness (e.g. Agent Pay) and the Board could do more to hold management to account. Q4: PSG is re-inventing the strategy and re-wiring the organisation and relationship with postmasters and customers and this requires the board to effectively oversee how the new strategy is being delivered. For me post GLO the Board needs to improve the organisation's focus on making stronger well thought through decisions, for example on technology. | | |
| C. | Decision-making and Risk | | |
| 6. | How would you assess the Board's consideration of risk when taking strategic and operational decisions? | 3.7 | 3.5 |
| 7. | How strong is the Board's understanding of the business' competitors? | 3.3 | 2.7 |
| 8. | How strong is the Board's understanding of the business' performance drivers? | 3.8 | 3.7 |
| 9. | How effective is the <u>process</u> of board decision making? | 3.8 | 3.6 |
| 10. | To what extent does the Board review past decisions? | 3.0 | 2.6 |
| 11. | How seriously does the Board take the development of individual directors and the Board as a whole, and where it needs to improve? | 3.5 | 2.8 |
| | Average for section = | 3.5 | 3.1 |
| | Additional Comments: <ul style="list-style-type: none"> The business' competitors are changing (e.g. Amazon) and our understanding of these players and their strategies is relatively immature. We could benefit from having experts in these areas attend and speak at board dinners. Past decisions are reviewed in terms of looking at the performance vs budget and as part of ongoing decision making - we do not have dedicated retrospective reviews; although we do have deep dives into situations at the ARC development of directors takes place from regulatory point of view - we could benefit from thought leadership sessions on areas impacting the business strategy (some other boards have a 30 min session immediately prior to the Board meeting to facilitate this). We made an effort last year to have NED only discussions for the first time. I'd encourage more of these which I think would help us focus on improving many of the issues raised on this page - not to deal with | | |



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| | <ul style="list-style-type: none"> the issues per se but at least to provide a forum in which these questions can be discussed and a way forward agreed. Q6: I wonder whether papers are clear enough on the bottom line/value to help make decisions that are very complex in nature? Examples recently Telecoms and Insurance strategy.Q8: this could be more clearly expressed in performance reports Q9: the board faces some complex decisions in the year ahead and I would want to see that we are able to test ideas and their downsides more thoroughly and ensure decisions made are both stronger and deliverable.Q10: I am sure this will happen post GLO - we need to think really hard about how the organisation makes decisions that create a really difficult legacies. | | |
| D. | Specific Questions for Non-Executive Directors, Executive Directors and UKGI Representative | | |
| 12. | The quality and value of NEDs' contributions at board meetings? | 4.0 | 4.1 |
| 13. | To what extent do NEDs get involved in issues outside the Boardroom? | 4.0 | 3.9 |
| 14. | How effective are the EDs in assisting the Board's understanding of the business issues? | 3.8 | 4.0 |
| 15. | To what extent do the EDs act in a collegiate manner with the overall interests of the business in mind? | 4.4 | 4.0 |
| 16. | The level of insight provided by the UKGI representative into the strategic direction that the Shareholder aspires to. | 3.8 | 3.7 |
| 17. | The level of engagement and contribution made by the UKGI representative. | 4.0 | 3.7 |
| | Average for section = | 4.0 | 3.9 |
| | Additional Comments: <ul style="list-style-type: none"> Q12 - goes to my comment about inviting NEDs to speak on topics Q14 - in general (but not always) I find EDs responsive and helpful and also make a positive effort to discuss matters coming up at the Board. Q15 - the management team does a good job of presenting a unified front to the Board but anecdotally we know the organisation is very siloed and finds it difficult to prioritise scarce resources across different parts of the business. | | |
| E. | Information and Support | | |
| 18. | How would you rate the management information received by the Board and its timeliness (i.e. is it the right information at the right time to provide you with the assurance you need and the understanding of the business you need)? | 3.5 | 3.1 |
| 19. | How would you rate the quality of papers and presentations received by the Board? | 3.5 | 3.3 |
| 20. | How effective are the Board Committees at communicating decisions and outcomes to the full Board? | 3.6 | 3.7 1 = N/A |
| 21. | How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required?) | 4.1 1 = N/A | 4.1 |



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| 22. | Does the Board feel that the frequency and length of meetings are appropriate? | Yes = 9 No = 0 | Yes = 8 No = 2 |
| 23. | Are issues brought to the Board at an appropriate time? | Yes = 7 No = 2 | Yes = 8 No = 1 1 = N/A |
| 24. | Are there any issues or topics <i>that are not discussed</i> that should be considered at the Board? | Yes = 3 No = 6 | Yes = 5 No = 5 |
| | <ul style="list-style-type: none"> We have a number of live matters that we have had to focus on in the last 12-18 months and hopefully can now find time to focus on the strategic future Post Office. We possibly also need to spend more time hearing from the employees and the postmasters direct. Board papers need to be more complete when loaded as opposed to lots of submissions after the main body of papers. There have been several issues around the transparency and productivity of change spend, versus business as usual. Given the GLO issues, we need also to spend more time on the relationship with SPM's. This should encompass the current state of play from their perspective, and the overall management of their business - pay, interaction with the Post Office, and the vexed question of how to manage problems with branch accounts. Customers; Culture; Stakeholder perspectives; Competitors. | | |
| 25. | How effective are the communications between the Board and the management between formal meetings? | 4.0 | 3.8 1 = N/A |
| 26. | Does the Board have sufficient time in private (either formally or informally) to discuss matters of concern? | Yes = 7 No = 2 | Yes = 8 No = 2 |
| | Average for section = | 3.7 | 3.6 |
| | Additional Comments: <ul style="list-style-type: none"> We usually have good quality information but have had to rely on the 1 internal (uncorroborated) view relating to tech issues. This has meant that we have had to make some decisions with further information coming to light later (Belfast data centre /PCI). Formal Board Committees are good at communicating information to the rest of the Board. The informal working parties (e.g. Litigation) have not always been as strong. | | |
| F. | Stakeholder engagement | | |
| 27. | How would you assess the Board's approach to considering the following stakeholder needs/ views when taking decisions: | | |
| i. | Customers | 3.7 | 3.1 |
| ii. | Postmasters/agents and clients | 3.6 | 3.2 |
| iii. | Special Shareholder | 4.0 | 4.3 |
| iv. | Employees | 4.0 | 3.1 |
| v. | Suppliers | 3.1 | 2.8 |
| vi. | Regulators | 3.7 | 3.2 |
| | Average for section = | 3.7 | 3.2 |
| G. | | | |



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| 28. | How do you think the company's culture/ behaviours need to change to support the successful delivery of its strategy? |
| | <ul style="list-style-type: none"> • Re-balance the emotional, public and brand agenda with commercial progress. • We have a diverse and experienced board with an excellent Chair. The shareholder representative adds constructive challenge but at times dominates the debate which can lead to his views overshadowing others. <p>The board and the shareholder need to reconcile the purpose of Post Office. On the one hand, the shareholder / shareholder representative wants decisions based on optics and public purpose which is understandable and helpful but it doesn't take into consideration the commercial costs of such an approach in addition to the additional governance restricting POL's ability to be commercially sustainable. The board, on the other hand, attempts to reconcile this but we remain focused on increasing year on year operating profit. These purposes are not always compatible and consequently delivery and decision making is impacted. The shareholder and board should then help support management in how these purposes are reconciled once decided. Subject to the above, we may be too focused on increased operating profit rather than long term sustainability particularly given other strategic issues.</p> <ul style="list-style-type: none"> • We need to be more deeply rooted in the customer (postmaster and end customer) experiences. Our organisation structure and operating practices need to revolve around these (rather than being process led). • More accountability for individuals. De layering of Management Organisation. Fundamental engagement of Sub Post Masters to be a part of our structural organisation. Resolve the role of NSFP and how it's funded. Focus on less businesses. • There needs to be a more focus on risk in making strategic decisions. • We have already established a need to reset the relationship with our SPM's. The other major challenge is how we are delivering to customers - meeting our obligations to provide a comprehensive service geographically, but also keeping an effective track of how customers view the Post Office, in terms of value for money, service, and to understand areas where we are not meeting needs effectively. • POL's need to provide a much better service to Postmasters is well documented. I'm also hopeful that Nick will create a strong customer oriented culture at POL. • Executive needs to be clear-sighted about strategy and board needs to hold them to that. Execution of the strategy is key and that requires the board to understand (and support) the CEO's new organisation as well as challenge whether we have the right leaders with the right skills to deliver the plan. • This is well documented in the OHI. There is a clear need for strategic direction, role clarity, an external perspective, and effective performance and consequence management. The culture of entitlement needs to become more service and customer orientated. • Being able to hear first-hand from staff, postmasters and customers would be beneficial. That may be seeking the verbatim feedback from surveys, commissioning independent surveys and NEDs spending more time in the retail network. |
| H. | Please include any thoughts you have about the operation of the Board and any ideas for its future operation. |
| | <ul style="list-style-type: none"> • How do we manage public concern over the GLO. • More Executive/ External speakers or presenters/ on best practices/ Better Competitive knowledge in our Key Sector Businesses. • We need more diversity and to consider how wider stakeholder interests get represented. • The board would benefit from more NED only discussions outside of the formal meetings structure. • Having sat on many Boards over the years, I think the PO Board has some committed NED's, and relationships generally are positive. We are now in a transition period with some new NED's and new |



- EDs. There is a commitment by the new CEO to focus more on performance issues in Board meetings, which will be welcome, and with simplification of the business, the Board will be in a position to spend more time on the key drivers of performance. The Board will benefit from having three clear objectives: concluding the issues arising from GLO, including cultural change, performance of core business, and supporting the priorities set by the new CEO, effectively, reducing cost and concentrating on the big bets.
- The board is of a good size and with people who bring many different perspectives so group think is generally avoided. If I have one worry it is that the new strategy has not yet been explicitly agreed. There have been a number of challenges expressed by the board which need to be followed through as it continues to develop.
- Whatever the strategy finally agreed, all the risk lies in effective execution by the new leadership group and the Board needs to keep a close eye on this.
- - Perhaps a postmaster representative. - Employee representative (this is voice is rarely considered at Board in terms of the decisions that are being made).





ARC Evaluation Questionnaire 2019/20

| | Question | 2018/19 Average | 2019/20 Average |
|-----------|--|--------------------|--------------------|
| A. | Skills, experience, diversity, knowledge | | |
| 1. | How appropriate is the composition of the Committee for the requirements of the business? | 3.8 | 4.1 |
| 2. | How would you rate the Committee's understanding of the following areas of the Business: | | |
| i. | Financial reporting and management | 4.2 | 4.2 |
| ii. | Risk | 4.0 | 4.1 |
| iii. | Compliance | 4.1 | 3.8 |
| iv. | Internal Audit | 4.0 | 4.3 |
| v. | External Audit | (new Q) | 4.2 |
| | Additional Comments: <ul style="list-style-type: none"> We could benefit from additional independent IT expertise (which could be provided via the external auditors or the co sourced internal auditors). In general I think the composition and skillset of ARC is excellent. | | |
| B. | Leadership, ways of working, time management | | |
| 3. | How would you assess the Chair's encouragement of debate within the Committee, including ensuring that all members are able to contribute to the discussion? | 4.2 | 4.3 |
| 4. | How effective is the Committee at focussing on the right issues? | 4.0 | 4.1 |
| 5. | How effective is the Committee at providing both challenge and support to management? | 4.1 | 3.9 |
| | Additional Comments: <p>My main concern about ARC is that the agenda is very full already. There are always additional things we could do but there are a few things that I think are gaps and where some time would be very worthwhile:</p> <ul style="list-style-type: none"> - a more strategic view of risks, A good example is the good work that now seems to be going on in relation to the potential failure of a multiple partner. This arose in a somewhat obtuse way and should have been flagged by management if we were following a more structured process - assessing management capability, specifically in the areas covered by ARC - the finance function, risk, compliance and internal audit - IT strategy and risks where we have seen examples where risks have not been identified properly (e.g. Oracle termination of support) which has caused previous decisions to be reversed quickly. IT is also the bottleneck so often in the company's ability to implement change and improved service for Postmasters and customers. | | |
| C. | Information and Support | | |
| 6. | How effective is the Committee at testing the information provided by its external advisers? | 3.7 | 4.1 |
| 7. | How would you rate the quality of papers and presentations received by the Committee? | 3.2 | 3.6 |
| 8. | How comfortable are you that compliance with the regulatory landscape is adequately managed and reported? | 3.6 | 3.6 |
| 9. | How would you rate the management information received by the ARC and its timeliness (i.e. is it the right information at the right time to provide you with the assurance you need and the understanding | (new Q) | 3.8 |



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| | of the business you need)? | | |
| 10. | How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required)? | 4.00 | 4.1 |
| 11. | Are the frequency and length of ARC meetings appropriate? | Yes = 6 No = 2 | Yes = 8 No = 2 |
| 12. | Are issues brought to the ARC at an appropriate time? | (new Q) | Yes = 8 No = 2 |
| 13. | Are there any issues or topics <i>that are not discussed</i> that should be considered at the Board? | (new Q) | Yes = 2 No = 7 Don't Know = 1 |
| 14. | Does the ARC have sufficient time in private to discuss matters of concern? | (new Q) | Yes = 5 No = 2 N/A = 2 Don't Know = 1 |
| 15. | Please comment on the effectiveness of the interaction with Internal Audit. | | |
| | <ul style="list-style-type: none"> • Very effective – there is a very detailed, operational oversight and challenge given by Board/ ARC • Excellent. The Chair is always engaged and provides sufficient guidance and challenge. I feel very much supported and able to perform my duties without interference. More recently Tom Cooper has also engaged directly with IA, which is overall positive. Feedback from the ARC suggests that the IA reporting is satisfactory, however, I will welcome more direct feedback and in particular if there is any additional information that the committee would like to see included that may further enhance the quality and value of reports. • In general Internal Audit is responsive and open. In general they do good work although their work doesn't always hit the mark (E.g. change spend processes). As with any IA function there is a balance to strike between rigour on the one hand and the need to maintain relationships with colleagues on the other. • IA continues to improve and deliver according to its Audit Schedule. • Effective and thorough - during the next year we may benefit from hearing from the co sourced Internal Auditors (Deloitte) more frequently • Open and sensible. • It's well-structured and timely. | | |
| 16. | Please comment on the effectiveness of the interaction with External Audit. (new Q) | | |
| | <ul style="list-style-type: none"> • I don't have much visibility of this, but I have no concerns. • I think it is good. Regular dialogue with AC Chair. And discussions before and during the AC meetings. • Generally very good so far. • Sufficiently frequent. • Adequate • Effective both in and outside of the formal meetings. • Much better and very open. • It's well-structured and timely. | | |
| 17. | Please include any thoughts you have about the operation of the Committee and any ideas for its future operation. | | |
| | <ul style="list-style-type: none"> • Carla is an outstanding NED and Chair. She role models perfect behaviours and gives excellent honest challenge whilst understanding commercial realities as well as | | |



- industry best practice in Risk and Compliance.
- The Committee could support management more in the ARC remit particularly when the Board has made certain decisions which in turns has an impact on the management team particularly in terms of resource and volume of work.
- This is one of the most effective Audit Committees I have seen.
- I think the ARC operates well. It has to cover a lot of ground given the range of compliance and regulatory topics. It spends relatively less time on financial reporting matters compared to listed company audit committees – but that is understandable given POL has limited public reporting requirements and there are a wide variety of important areas to focus on. I think key members of the ARC are diligent in ensuring they properly understand topics and bring a lot of value, as well as being appropriately sceptical.
- One point on timings – I would suggest that if possible going forward the May ARC is superseded by a June one so as to better mirror the timing of the annual accounts / audit. This year there is a separate June ARC call scheduled to focus on the accounts – which is helpful. May is too early. And July too late!
- We can now rise up a level and use less time.
- The compliance with the regulatory landscape is improving and the suggested steps to ensure that we have completeness, combined with the proposal for legal to input to the emerging compliance risks will be beneficial.
- Carla Chairs the ARC extremely well given the breadth and complexity of the various businesses.
- Well chaired. On occasions meetings can be rushed. Perhaps longer meetings should be scheduled in diaries with time given back if meetings under run.



Remuneration Committee Evaluation Questionnaire 2019/20

| | Question | 2018/19 Average | 2019/20 Average |
|----|--|--------------------|---------------------------|
| | Skills, experience, diversity, knowledge | | |
| 1. | How appropriate is the composition of the Committee for the requirements of the business? | 4.3 | 4.3 |
| 2. | How would you assess the Committee's knowledge of the following issues: | | |
| a. | Structure of senior executive remuneration packages and approvals process for these (PO Limited and PO Insurance) | 4.1 | 3.3 |
| b. | Structure of staff remuneration packages and approvals process for these (PO Limited and PO Insurance) | 3.8 | 3.3 |
| c. | Reporting requirements for the Remuneration Report in the Annual Report and Accounts | (new Q) | 4.0 |
| d. | Increased focus on and reporting requirements for equality and diversity issues. | (new Q) | 4.3 |
| | Leadership, ways of working, time management | | |
| 3. | How would you assess the Chair's encouragement of debate within the Committee, including ensuring that all members are able to contribute to the discussion? | 4.3 | 4.0 |
| 4. | How effective is the Committee at focussing on the right issues? | 4.3 | 3.6 |
| 5. | How effective is the Committee at providing both challenge and support to management? | 4.2 | 3.6 |
| | Additional Comments: <ul style="list-style-type: none"> My scores here are not particularly high because I think our approach to these issues could be more structured and would benefit from more time in planning. Although it isn't the job of the Committee or the Chair to design remuneration structures, unfortunately in POL's case management is very fixated on EBITDAS and we have not been very successful in moving away from that. Given the management team's approach, it does mean the committee and its Chair have to be more proactive than they might wish in order to effect change. I am also the first to admit that HMG's approval processes and involvement make the whole process much more arduous than it needs to be. | | |
| | Information and Support | | |
| 6. | Are the frequency and length of Remuneration Committee meetings appropriate? | Yes = 6 No = 0 | Yes = 2 No = 1 |
| 7. | How effective is the Committee at testing the information provided by its external advisers? | 4.0 | 3.6 |
| 8. | How would you rate the quality of papers and presentations received by the Committee? | 4.2 | 3.3 |
| 9. | How would you rate the access you have to any additional | | |



| | | | |
|-----|---|-----|------------|
| | information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required)? | 4.0 | 3.3 |
| | Additional Comments 2019/20 <ul style="list-style-type: none"> • There is a considerable amount of change in this space, and the committee is spending time adjusting to the new landscape, in terms of Special Shareholder expectations, and sensitivity around GLO-related issues. These are difficult areas, but it seems to me the committee is getting to grips with the problems and also taking time to understand fully the challenges ahead. • As mentioned previously the circumstances mean Remco needs to spend more time - probably in practice more meetings to discuss topics, plan and generally provide leadership. • More external help is useful. Both Ken and I attended the UKGI event a few weeks ago which I think gives us all more confidence to move away from the current remuneration structure which is so dominated by EBITDAS. | | |
| 10. | Please include any thoughts you have about the operation of the Committee and any ideas for its future operation. | | |
| | <ul style="list-style-type: none"> • New Executive CEO and Group People Director now need to take leadership of the agenda. | | |



Nominations Committee Evaluation Questionnaire 2019/20

| | Question | 2018/19 Average | 2019/20 Average |
|-----|---|--------------------|--------------------|
| | Skills, experience, diversity, knowledge | | |
| 1. | How appropriate is the composition of the Committee for the requirements of the business? | 4.0 | 4.0 |
| 2. | How would you rate the Committee's knowledge of the following issues: | | |
| | a. Succession planning | 3.7 | 3.0 |
| | b. Board recruitment and appointment processes (including PO Insurance) | 4.2 | 4.0 |
| | c. Corporate governance requirements. | 4.2 | 4.0 |
| | Leadership, ways of working, time management | | |
| 3. | How would you assess the Chair's encouragement of debate within the Committee, including ensuring that all members are able to contribute to the discussion? | 4.2 | 4.0 |
| 4. | How effective is the Committee at focussing on the right issues? | 4.4 | 4.0 |
| 5. | How effective is the Committee at providing both challenge and support to management? | 4.2 | 4.0 |
| | Information and Support | | |
| 6. | How effective is the Committee at testing the information provided by its external advisers? | 3.6 | 4.0 |
| 7. | How would you rate the quality of papers and presentations received by the Committee? | 4.0 | 4.0 |
| 8. | Are the frequency and length of Nominations Committee meetings appropriate? | Yes = 5 No = 0 | Yes = 2 No = 0 |
| 9. | How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required?). | 4.2 | 3.5 |
| 10. | How effectively does the Nominations Committee assess the quality of the management team below Board level and manage succession planning? | 3.0 | 3.0 |
| 11. | Please include any thoughts you have about the operation of the Committee and any ideas for its future operation. | | |
| | Comments from 2019/20: <ul style="list-style-type: none"> • Still work to do on succession planning • The area of focus for the future will be on the level down from the GE and succession planning, although it's important to recognise that this is primarily the responsibility of the executive team. Therefore the quality of dialogue with the CEO will be important. | | |