



POST OFFICE LIMITED BOARD REPORT

Title:	Board Review Recommendations	Meeting Date:	27 th July 2021
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Input Sought

The Board is asked to **DISCUSS** and **APPROVE** the recommended actions linked to the Board review produced by Independent Audit Limited for 2020/21. The recommended actions for the Board are set out at Appendix 1 and map to the recommendations from the report. In sum, it is proposed that:

- A more structured Board forward plan for the year ahead is produced for the September Board meeting that builds in the areas the Board wants more focus on
- Board Directors provide their feedback on papers at the end of the next few meetings to help get the balance right on the information needed to take decisions while avoiding extraneous material
- The Board reverts to the pre-Covid pattern of holding Board dinners before most scheduled Board meetings
- Sessions with the CEO and the NEDs to discuss senior team development etc. are arranged around every other scheduled Board meeting (3-4 per annum)
- NED only meetings are scheduled before each Board meeting, and before the Board dinner on the preceding evening where feasible
- A specific slot on organisation culture is included in the Board agenda bi-annually in addition to regular updates
- The Company Secretariat Team develop a programme for the Board's consideration for NEDs to make branch visits and attend employee events etc. periodically
- A report back from the Committees will be built back into the Board agendas
- The appraisal process instigated for each Non-Executive Director to meet the Chairman annually will continue.

The recommended actions for the Committees are also at Appendix 1 and are to **NOTE**.

The Board is also asked to **CONSIDER** the concept of a "hybrid" calendar where the main scheduled Board meetings are held in person but where shorter, and less strategic meetings are held remotely.

Previous Governance Oversight

The Board considered the report produced by Independent Audit Limited at its meeting on 30th March 2021.



Executive Summary

As recommended by the UK Corporate Governance Code, POL carries out an independently facilitated Board and Committee review every third year and runs internally facilitated reviews annually in the intervening years. Catherine Stalker and Richard Sneath from Independent Audit Limited presented their Board and Committee review for POL for 2020/21 to the Board on 30th March 2021. This report and the summary of recommendations are in the Reading Room at [xx]. The recommendations for the Board's consideration are at Appendix 1.

The report highlighted many Board strengths and ways of working that should continue; it also, and to nobody's surprise, noted the strain the Board and the executive have been under trying to respond to the historical matters while overseeing the running of the business during a pandemic, dealing with funding challenges and implementing the new strategy focussing on the core products and building a modern franchise that is postmaster-centric.

Whilst acknowledging the stretch, a clear message from the Board and the executives who were interviewed was that they wanted the Board to spend more time on strategy and the development of the business today, noting the need to identify growth opportunities, understand what we mean by social purpose and how this fits with being commercially sustainable and understand better the markets within which Post Office operates. There was also support for stepping back from the operational detail and building "grounded trust" to allow that to happen.

Questions addressed

1. What recommendations were made by Independent Audit Limited and which are we proposing adopting?

The recommended actions are at Appendix 1 with proposals for how these might be implemented and progress updates where applicable. There are a couple of administrative points on scheduling breaks and meetings where there is a balance to be struck with not taking up too much Board directors' time: your preferences should guide how this is managed.

2. What other recommendations are made and why?

Boards have had to adapt quickly to remote working and as we to return to more face-to-face working, some governance organisations, like Board Intelligence, have asked how we avoid reverting to the pre-pandemic norm without thinking about longer-term gains of new ways of working. One idea, is the hybrid calendar (as opposed to the hybrid meeting) so that meetings that are predominantly focussed on oversight rather than brainstorming or taking major decisions and/ or are shorter meetings could be held remotely but the main Board meetings held in person. The Board could consider whether this approach should be adopted and, if so, which meetings it would continue to hold remotely.

Next Steps & Timelines

1. The ARC considered the response to the Independent Audit Limited Report proposed actions at its meeting on 18th May 2021 and the approach adopted is included in Appendix 1. The Remuneration Committee has adopted the recommendation to involve



the Remuneration Committee adviser more at its meetings. The Nominations Committee will be considering succession planning at its next meeting.

2. The Nominations Committee will be asked to review progress with the implementation of the Board review actions agreed at its meeting on 30th November 2021.



Appendix 1

Recommendations from the Independent Audit Board Review 2020/21				
	Section/ recommendation	Adopt: Y/N	Proposed approach:	Progress:
	Focus and balance			
1.	Strike the right balance in agendas, discussion and pre-papers between dealing with historical issues, business as usual and the future. (16-17 of report)	Y	<p>The Board will be establishing a Board Committee to deal with Historical Remediation matters. Some decisions, especially those setting a precedent or establishing a principle, will still come to the Board, and the Statutory Inquiry also means that some Board attention will inevitably remain on historical matters.</p> <p>Mapping out and discussing the forward agenda at Board meetings may help get the balance right. The on-going challenge will be the new issues that crop up and overfull agendas.</p>	For the Board Strategy sessions this year, briefing sessions with pre-reading materials have been run but it has been for the NEDs to decide whether and which to attend; hopefully this provided the context for the Board discussions without making onerous demands on time.
2.	Create a forward agenda that extends to a full year supplemented by a "strategic governance map". (22-23 of report)	Y	Develop a more detailed Board forward agenda for the September Board meeting and allocate time to discuss this.	
3.	Continue to improve the papers, tying in appropriate KPIs and strategic goals, and removing unnecessary information. (20-25 of report)	y	<p>A template, guidance and briefing sessions for preparing papers for boards and committees are all in place (though not always adhered to in terms of paper length and adhering to the template).</p> <p>It may be helpful to get views at</p>	

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			the end of the next few Board meetings on the papers considered at that meeting and where: 1) there was information not included that would have helped you reach a decision; and, 2) where there was extraneous material or material that would have been better placed in the Reading Room. This feedback could be tied to the discussion on the forward agenda.	
	Composition, succession and dynamics			
4.	Prepare carefully for the induction of postmaster NEDs to ensure they are integrated as directors on a par with existing NEDs. (28-31 of report)	y	It has been an intensive induction programme for Elliot and Saf and their feedback of what worked and did not work will be helpful for planned inductions in the future (and indeed, what might be helpful for the non-statutory Postmaster Director when they join POL).	
5.	Stay on the front foot on succession, planning further ahead (35 of report)	y	Annual discussion to be scheduled for the Nominations Committee as well as any further discussions required for specific appointment.	On Nominations Committee forward plan for September 2021.
6.	Resume board dinners and informal catch ups to cement relationships (39 of report)	y	Revert to Board dinners the night before scheduled Board meeting.	A Board dinner will be held on 27 th July 2021 and the normal pattern should resume as long as no further lockdowns or restrictions are in force.
	Maintaining an effective management team			
7.	Increase focus on development of senior team,		These sessions could be	To be scheduled for September

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	including regular discussions with the CEO. (43–46 of report)		scheduled in advance of every other scheduled Board meeting (circa quarterly), before or after the NED only session.	2021.
8.	Hold regular private sessions of the NEDs without the executives (47–48 of report)		A short NED session is proposed in advance of each scheduled Board meeting (potentially in advance of a Board dinner, when taking place).	[NED only session scheduled for 26 th July 2021.]
9.	Make more use of external advisers at the Remuneration Committee. (51 of report)	y	Paul Townsend of Willis Towers Watson will attend the whole of the Remuneration Committee meeting and a session with the Committee and the adviser will be scheduled at the end of each meeting.	This approach was followed at the Remuneration Committee meeting held on 1 st July 2021.
	Cultural transformation			
10.	Make time to specifically discuss culture, ensuring the right indicators and monitoring are in place, including surveys and speak-up reporting. (52-54 of report)	y	Include on Board agendas bi-annually and include updates in the CEO report and at the Remuneration Committee via the Group Chief People Officer's Report.	People Strategy slots are included on the Board agenda for 27 th July 2021 and for the September agenda which touches on issues such as ways of working.
11.	Plan out how NED will "sniff" the culture themselves and organise events to meet more middle managers, postmasters and junior staff. (55–57 of report)	y	CoSec to develop a programme for the Board's consideration to include periodic branch visits and attendance at employee events periodically.	Include with the Board forward agenda at the September Board meeting.
	Risk, controls and grounded trust			
12.	ARC should encourage the CRO to provide an overview of current and emerging risks and share his subjective concerns. (62 of report)		The ARC has agreed that in addition to the Risk Dashboard that is already supplemented by a summary paper, the Head of Risk will ensure that an overview of current and emerging risks as well as his opinion on areas of	Implemented and on-going.

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			concern etc. is included in this summary.	
			Risk owners will be invited to ARC Committee meetings where a risk is outside of appetite or rated red (with exact criteria to be decided by the Head of Risk) or attendance has been requested by the Committee.	
13.	The Board, ARC and the Executive should work together to develop a strategic approach to risk management, with clear goals and outcomes. (63-67 of report)		The ARC has agreed that the Risk Report should be developed to focus on how management are responding to the critical risks, both current and emerging, in a shorter more narrative paper. This should avoid too much focus on "method, categorisation and definition" and focus on how risk appetites can be used to strengthen management and operational decision-making.	An update is proposed for September 2021 with the new approach targeted for March 2022.
14.	Consider developing a risk controls assurance map and ensure that data, IT and cyber risks are getting sufficient focus. (71, 73 of report)		The ARC has agreed that a risk controls assurance map should be developed by Risk, Compliance & Audit together with an annual Compliance Assurance Report.	The new approach is targeted for March 2022.
	Quick wins			
15.	Plan regular breaks. (75 of report)	?	There is a balance between not wanting to use up too much of Board directors' time and providing breaks during and between meetings. Overstretched agendas tend to squeeze out breaks but longer	

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			breaks can be included if that is the preference.	
16.	Schedule the ARC and the Board meetings on different days. (76 of report)	?	As above.	
17.	Dedicate a clear section to committee reporting and leverage the expertise of particular NEDs on key topics. (78 of report)	y	This has fallen away on occasion when the Board agenda has been overstretched and when most of the Board have attended the ARC and the Chair of the ARC has briefed those who are not members separately.	Committee update included for 27 th July 2021. Any further ideas for leveraging NED expertise would be welcomed but NEDs do seem active in their engagement with the parts of the business where they bring particular knowledge and expertise (e.g. Lisa with the IT and SPM teams; Ken with the Mails Team).
19.	The Chairman to provide regular individual feedback to the NEDs. (81 of report)	y	A formal annual appraisal process has been instigated.	Appraisal discussions took place with each of the NEDs in post during 2020/21 in June 2021.
Additional question/ proposal				
20.	The Board is asked to consider the concept of a "hybrid" calendar where the main scheduled Board meetings are held in person but where shorter, and less strategic meetings are held remotely.	N/A		