



POST OFFICE LIMITED BOARD MEETING
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MINUTES OF A CCRC MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON THURSDAY 25 MARCH 2021 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ BY CONFERENCE CALL AT 15.00 HRS¹

Present:

Tim Parker	Chairman (TP)
Tom Cooper	Non-Executive Director (TC)
Zarin Patel	Non-Executive Director (ZP)
Lisa Harrington	Non-Executive Director (LH)
Alisdair Cameron	Group Chief Finance Officer (AC)
Nick Read	Group Chief Executive (NR)

In attendance:

Veronica Branton	Company Secretary (VB)
Ben Foat	Group General Counsel (BF)
Richard Taylor	Group Corporate Affairs and Communications Director (RT)
Dan Zinner	Group Chief Operating Officer (DZ)
Amanda Jones	Retail and Franchise Network Director (AJ)
Jeff Smyth	Group Chief Information Officer (JS)
Gareth Clark	Head of IT Transformation Portfolio (GC)

Apologies: Ken McCall, Senior Independent Director, Carla Stent, Non-Executive Director

Agenda Item**Action****1. Welcome and Conflicts of Interest**

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

2. Minutes and Matters Arising

The Board **APPROVED** the minutes of the Board meeting to discuss the CCRC cases held on 18th March 2021.

The Board **NOTED** the action log.

3. Public Inquiry work update, including:

- Improvement Delivery Group
- Horizon Issues Judgment Update
- Common Issues Judgment Update: Postmaster Journeys Report (Deloitte)
- Draft Postmaster Service Improvement Plan (for CIJ)

Dan Zinner introduced the update. The draft Deloitte report had been circulated to the Board last week and we would be finalising the report this week reflecting any comments from the Board. An update would be provided on our progress in conformance to the Common Issues (CIJ) and Horizon Issues (HIJ) judgments. We needed to be flexible and fast in the work we were undertaking but that had to be supported by evidence and many deadlines were scheduled for May 2021. The more difficult matters were those where we did not have ownership, for example, where we were reliant on Fujitsu. DZ summarised the main areas set out in the slide deck:

- the operational changes in the Postmaster Service Improvement Plan (PSIP) for the CIJ accounted for about 70% of the total

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



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- the overarching Governance Forum that would supersede the Improvement Delivery Group (IDP) in May 2021 would cover BAU and Change for everything we were doing for our Postmasters and would be chaired by someone independent of Dan Zinner and Amanda Jones, who had accountability for delivering the work
- some of the “oxblood” red priorities were also the hardest outstanding tasks. The 332 actions came from a variety of sources, including the Deloitte and KPMG reports. Half of the Postmaster improvement actions had not yet started and some of these were contingent on other actions having been completed so we were sequencing the order of actions carefully
- the CIJ improvements were described and almost 70% were now closed but this was an iterative process. We had started to split out accountabilities and responsibilities, assigning these to individuals
- 16 improvements had been made to branch audits. The sense was that previously Postmasters had felt that audits had “been done to them” while the process now was more collaborative, data led and risk based. We had much greater ability to filter and analyse the data and most audits were carried out by phone call with branch visits by exception
- the IDG was tracking weekly against project plans. The “oxblood” red related to non-conformance with the judgments and we were breaking down these actions and tracking them closely
- the approach to ensuring substantive GLO conformance would be supported by Deloitte to test legal compliance in partnership with our internal resources
- any comments or feedback on the Deloitte report would be welcomed. The report had identified 59 improvements to be made. Work had started on two thirds of these improvements already. A third were “oxblood” red or red. It was a balanced report and included a couple of issues that we had not identified previously. Most of the nine themes mapped to a GE member
- the Postmaster experience journey and the four people responsible for delivering most of this was summarised
- it was noted that the PSIP work linked to the Deloitte recommendations which also linked to resource requirements. Amanda Jones noted that two further roles to support this had been confirmed.

Jeff Smyth provided an update on the work to conform with the HIJ findings. He noted that while there might appear to be a concentration risk around Simon Oldnall we had deliberately set up an HMBU IT team and we wanted a single point through whom this work went but there was a team to support this work. KPMG had been asked to provide us with more support on HIJ to help progress matters quicker and we were tightening up our processes with Fujitsu. JS described the testing processes and the approach to addressing outstanding HIJ items. This was a juggling act because we had to prioritise various important matters but we knew that we needed to prioritise clearing historical Known Error Logs (KELs).

A number of points were raised and addressed:

- Tim Parker requested that we circulate a list of who was on which group and their roles so that the Board was aware of who was doing what DZ
- Zarin Patel wanted to understand the depth of the internal audit work. Garth Clark explained that it had been a tabletop exercise but included checking that the work planned had been undertaken although not carrying out system testing. ZP noted that the Board needed to continue asking the questions posed by Deloitte in the report. In the longer term there should be a focus on how the overall experience was for the



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Postmaster and the cultural importance of staff carrying out their work in a way that reflected Postmaster centric values. Jeff Smyth explained that there were different types of changes within the work including to processes and operations. Dan Zinner explained that the current focus was on the Public Inquiry and fixing the historical issues

- Amanda Jones explained that work on the actions shaded grey had not yet started which was because they were lower priority issues and we were focussed on the urgent activities currently. We had brought the work of different teams together which drove a better process and experience for Postmasters. Tom Cooper asked how we would know that this approach was working both from the perspective of Postmasters being satisfied and POL managing loss rates. AJ noted that we would test certain questions from the recent Postmaster consultation periodically. Tim Parker added that it would be important to be able to show that a good cross section of the Postmasters were happy with the approach we were now taking to matters, such as dispute resolution. Dan Zinner took an action to obtain qualitative feedback on today's Postmaster experience. NR noted that significant work had taken place to improve the onboarding process and we wanted to work our way through all of our processes in this fashion but not everything would have been completed by the time of the Public Inquiry
- Amanda Jones reported that we had telephoned 118 Postmasters recently whose branch had been audited and 87% were happy. Tim Parker asked about the 13% who had not been content and AJ agreed that this needed to be examined. TP noted that we wanted to understand what the problem had been for the 13% and establish that there was nothing material within this. Nick Read noted that we wanted to examine all the problems we had fully, assess these, prioritise them and address them
- Tom Cooper asked about the end result of the changes which it was hard to track through in the paper i.e. For example, in relation to MIS provided to postmasters what improvements would be delivered as the actions were completed and what were the tangible actions? It was agreed that Amanda Jones and Jeff Smyth would provide some examples as they took the Board through the changes to the disputes process and to the Horizon system, respectively
- Tom Cooper asked about the issue of settling centrally, what would replace this approach and how complaints would be dealt with recorded and addressed
- Zarin Patel asked whether we were going to address all of the actions some of which were difficult and costly and where we might have to form a judgement on whether the approach was warranted. Amanda Jones agreed that the actions were complex and interwoven
- A number of directors wanted to know more about the settlement process. Amanda Jones explained that currently if the amount contested was less than £150 the only options available to the Postmaster were to settle by cash or cheque. There were four actions in progress to resolve this position and by September 2021 we wanted there to be an option to settle centrally or to use a dispute button on Horizon to require further investigation to take place. The Branch user forum was seeking to identify a solution that would work for Postmasters. Branch disputes linked to some of the KPMG recommendations and there had been some organisational changes to support this work. Jeff Smyth noted that putting a dispute resolution button on Horizon was not particularly difficult but were also wanted to engage with Postmasters on what they wanted as a dispute resolution process and these discussions had been taking place with Postmasters while we also looked at how this mechanism linked into other processes. This would take some months but we would build in the functionality for the dispute resolution button in the meantime. A significant amount of work and

Please see
below

DZ/ AJ –
overarching
action to
consider the
points made
at the
meeting
about how we
knew that the
improvement
s were
working and
obtained
Postmaster
feedback on
this on this
regularly,
keeping in
focus the
questions
raised in the
Deloitte
report.



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communication was required across a number of teams to be able to provide a settle centrally option for less than £150. Tom Cooper asked whether if an item were disputed and was put in for central settlement the disputed sum would be seen separately. JS explained that you would not see the sum in dispute but there would be a note to say that there was a current dispute. We could not put in place a suspense account currently but were breaking down the overall action into a number of parts. TC asked how the cash position would work. JS explained that Postmasters would have a log with a point in time reference with the detail of the information they had provided. TC asked whether that meant we would still have to deduct the sum from the Postmaster. AJ explained that there would be a corresponding balancing item in version 2.0 but there would be an imbalance now. Al Cameron added that in practice we did not pursue Postmasters for outstanding sums and provided for 60 days in the accounts. Tim Parker noted that this issue was at the heart of the judgments where the Postmaster was having to pay first and then we go through our process. It was vitally important to be able to show that no money was leaving a Postmaster's account in advance of a dispute being resolved and he noted that there was also a moral hazard associated with not resolving losses. AJ noted that the issue related to sums below £150 and we were focused on fixing this quickly. Nick Read added that operators would be part of the "show and tell" process for the Public Inquiry which should demonstrate that there was not any Postmaster detriment. Dan Zinner added that we were breaking this problem into segments and also working on the appeals and disputes process, looking at having independent appeals panels at the point of termination

- Lisa Harrington noted that the references to the culture had not referred to the Board and this was where the approach on culture needed to start but this was likely to be addressed through the discussions on the externally facilitated Board review
- Tom Cooper asked Nick Read about his letter to the Fujitsu CEO and how that had been received. NR explained that there were a range of issues we were working on with Fujitsu and we had dependencies on them but both parties were trying to work collaboratively. The main issue was that there was a finite amount of resource. NR reported that he was meeting weekly with the senior KPMG partner and this work and relationship was working well. Al Cameron noted that at some point we would need to be clear with people that the best thing we could do for Postmasters was to get off the Horizon system and that would mean we could not add much functionality in three years it would take to exit
- Tom Cooper asked about what assurance there would be to be able to show that the changes we were making to Horizon and migrating off Horizon were working and that the system was doing what it needed to. Jeff Smyth explained that there would always be regression testing. Each time we did this we were checking that we had not pulled back in previous bugs and errors. The testing processes were therefore taking longer. TC noted that one of the Public Inquiry questions was whether POL's systems and processes were fit for purpose but it felt as though until we had migrated off Horizon we could not deliver everything the company and Postmasters wanted. JS noted that they would be different interpretations of fit for purpose but we were strengthening the system wherever we could and would continue to drive improvements. Tim Parker noted that part of the issue with Horizon was the reputation of the brand but the system we had today was substantially different earlier versions although like all EPOS systems there would be some bugs. The key thing was that the system should not be unfair to Postmasters. We had not sought to compare Horizon with other retail EPOS systems and we needed to be careful not to accept that migrating off Horizon was the solution to all of the current problems. There was a difference again between the



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perception and reality. Tom Cooper noted that we needed to be able to respond to this question at the Public Inquiry. Al Cameron noted that we were building a case to replace Horizon because the system was not supportable in the longer term. TP concurred that the system would need be replaced but it was a question of timing and sequencing given the risks around changing systems and Post Office's other priorities

JS/ Zdravko
Mladenov

- Zarin Patel thought that Deloitte had produced a good report and she would reinforce the point Lisa Harrington had raised about governance and culture needing to drive postmaster centricity. The Board should be focussing on whether we were delivering against the ten questions Deloitte had suggested needed ongoing focus. Dan Zinner noted that we had sought to drill down to the tangible outputs and how this improved postmaster experience. ZP asked whether we thought the Deloitte Report would be published as part of the Inquiry. DZ thought it likely that we would refer to the Deloitte Report during the Public Inquiry and it was likely that the report would be requested. ZP noted that the comments included in the Report on culture were about 6 months out of date and we should reflect the changes that had been made. Tom Cooper asked how we would know that these questions had been addressed which brought him back to his question about the end point for this work. DZ noted that improvement work would always continue and would never finish. We would be addressing that we were doing what we needed to do to be legally compliant; the wider work on improvements entailed a more subjective judgement but we would be able to inform our view on the efficacy of the measures through tools such as surveys. TC thought that the Board should review the outputs of the Postmaster Consultation. We also needed a checklist for what Postmasters needed to run their Post Office effectively. Dan Zinner reported that the Branch Hub project would enable self-serve for Postmasters and he could take TC through those plans. We were working with Branch user forums on what Postmasters needed. TC recognised that this was an iterative process but it would be helpful to understand what the improvement process looked like. Tim Parker added that we needed to be sure that we were investing sufficiently into surveying Postmasters. Nick Read noted that the survey we had just completed in which over 1,700 Postmasters had participated had identified the top issues for them and we were seeking to triangulate this with the Deloitte and KPMG work but did not want to over engineer this. A Post Office was part of someone's retail business so simplicity and low-cost provision was important. Amanda Jones added that it was mostly simple information that could assist a Postmaster to grow their business and make access to this information and support self-serve would be important. TC wanted us to be clear about what is needed to provide for a Postmaster to operate effectively, whether we were doing this and if not by when we would have done this
- Tim Parker noted that we needed to make sure that there was a slide facility that could be accessed for those providing evidence to the Public Inquiry and a central repository for this information. Dan Zinner reporting that we would start preparing that in May and could create a one-page format for a range of issues.

DZ

AJ/
Quadrangle
DZ

Tim Parker noted that the team had done some really good work with many strands to it and wanted people to know that their efforts were much appreciated by the Board and he would send some thank you notes to this effect; he was keen that the voice of the Postmaster was heard to bridge the gap between the past mistakes, the press reporting of this and how Postmasters felt currently.

GC

DZ

It was agreed that Dan Zinner would provide a monthly update report for the Board.



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4. Any Other Business

There being no further business the Chairman declared the meeting closed at 17.00 hrs.

GRO
Chairman 16/04/2021 08:47