



POST OFFICE LIMITED BOARD MEETING
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MINUTES OF A MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON THURSDAY 27 JULY 2021 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 10:00 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 Financial Officer (AC)
In attendance:	Veronica Branton	Company Secretary (VB)
	Max Jacobi	Strategic Financial Planning and Analysis Director (MJ) (Items 5. & 6.)
	Tim McInnes	Strategy and Transformation Director (TM) (Item 6.)
	Angela Williams	Interim Group Chief People Officer (AW) (Item 7.)
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.

The Chairman welcomed Ben Tidswell who was attending his first Post Office Board meeting.

2. Minutes and Matters Arising

The Board **APPROVED** the minutes of the Board meeting held on 03rd June 2021.

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

3. Appointment of Ben Tidswell as Non-Executive Director of Post Office Limited

The Board **APPROVED** the appointment of Ben Tidswell as a Non-Executive Director of Post Office Limited for a period of three years from 27th July 2021 to the nearest Board meeting three years from that date.

The Board **APPROVED** the appointment of Ben Tidswell as the Chair of the Historical Remediation Committee of the Board of Post Office Limited.

4. CEO Report

Nick Read introduced his report. When the Board had met in June 2021 the organisation had been under pressure and subject to external scrutiny as well as experiencing the effects of the shift from offline to physical retail on Mails volumes. Since then the brand metrics had improved with customers' focus on their Postmaster and their local Post Office. Trading had been better overall in the last 3-4 weeks but we were still behind target. Overall trade had been down 10% during lockdown and we were not yet sure where trading volumes would settle with restrictions lifted. DMBs were still suffering a



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40% decline in business, with a footfall decline of 22-23%. Banking remained robust, especially for deposits. We were trying get focus back on trading.

Progress had been made with Historical Shortfalls Scheme payments and it would be very important to process interim payments promptly. Sir Wyn Williams was publishing his list of issues for the Statutory Inquiry this week but this was unlikely to include the issue of additional compensation for the 555 claimants with whom Post Office had reached a settlement agreement in December 2019. This would mean that the Justice For Sub-postmasters Alliance (JFSA) were likely to wish to publicise the issue. NR and Tom Cooper had met with the Minister last week at which the 555 claimants had been raised and would be discussed with the Secretary of State.

NR reported on work to address the findings of the Horizon Issues Judgment (HIJ), the Common Issues Judgment (CIJ) and organisational culture. The Improvement Development Group (IDG) had initially identified 207 improvements but this had developed into 407 in total. 75% of the improvements had been completed, with 30% both completed and audited. 25% of the improvements still had to be completed but we would be conformant with the Judgments by the time of the oral hearings for the Statutory Inquiry, including on Horizon conformance issues.

NR reported that he had been involved in colleague listening groups over the last week. It had been hard for some colleagues working remotely, such as those working in call centres. Those still commuting, such as colleagues in Supply chain, had dealt with very heavy workloads while others not commuting were working longer hours. There was enthusiasm about working with people face-to-face again and there would be more office-based working from September 2021.

A number of points were raised and addressed:

- Carla Stent asked what a good outcome would be for the 555 claimants. NR reported that the JFSA's main focus was on the circa £40m of the settlement sum that had been used to pay the legal fees and funding fees and to a lesser extent sums associated with the damage that had been incurred by the individual claimants. Ultimately, this would be a matter for Government to consider but Sir Wyn could decide to comment on this issue even if it was outside the terms of reference of the Statutory Inquiry. Tim Parker thought that we should maintain a direct communication with Alan Bates of the JFSA, notwithstanding that the funding would have to come from Government. Al Cameron noted that the JFSA had also wanted to include Government's oversight role for POL within the scope of the Statutory Inquiry
- Zarin Patel noted that Postmasters needed reassurance on changes made following the publication of the Judgments and it would be interesting to know how they perceived the changes POL had made to address the findings. NR agreed and we also needed to engage and communicate better with Postmasters on these matters but had to be thoughtful about communicating the material matters rather than minor issues. TP added that there might be a difference between what Postmasters deemed to be important versus our priorities for conformance with the Judgments. Lisa Harrington noted that TFL had made a point of communicating what was working as well as what was not to keep reinforcing positively what worked. Elliot Jacob cautioned that many Postmasters were not focussed on the historical position so we needed to focus our communications on issues that were of concern to them now. NR agreed that it was very important to be able to return our focus to running the business which was supported by initiatives such as "Back to basics" in Mails. Area Managers were being active in the network and giving more support on upselling and so forth
- Ken McCall asked about preparations for the Christmas campaign, noting that he thought this would be the biggest parcels campaign on record, and asked how ready POL was to meet this demand

Action:
Executive to



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- Carla Stent noted that resourcing was being flagged as a risk and asked whether there had been any damage to the employee proposition. We needed to think about this carefully, especially for major roles, and consider whether we needed a brand campaign on employee proposition. Lisa Harrington noted that people followed people and that had been driving some successful hires recently. LH would like to see POL's Diversity & Inclusion strategy. ZP noted that it was vital that we set Ben Foat up for success in his expanded role and she wanted the Board to spend some time considering that, including building trust in the processes followed by the Shareholder
- KM asked about the increasing interest of the FCA in our banking activities and thought this needed to be addressed promptly, including through the Shareholder on our behalf. CS agreed that this might need to be a conversation involving the Shareholder and HM Treasury. Tom Cooper said that it would be helpful to understand the FCA's degree of interest and focus on POL. AC reported the internal concerns on this matter because POL's role was different to those commonly regulated by the FCA and he thought it would be sensible to have a conversation at a senior level with the FCA. Elliot Jacobs noted that these customers were the banks on whose behalf Post Offices moved their money. CS warned that the shift might be the FCA requiring the banks to extend their due diligence of POL
- KM asked about POL's engagement with the unions. NR reported that he had held useful discussions with Dave Ward of the CWU on the owner/ worker contract but he was concerned about the pressure of activity required between now and the end of September 2021. We needed to have an owner/worker contract which was acceptable to the CWU by then or prepare for court in February 2022. We would be preparing an owner/ worker contract in any case as we thought there was a need
- Saf Ismail asked whether we could incorporate the MoneyGram ID into the app being developed. NR said he would ask that question. SI added that he would be happy to look at a demonstration of the app.

report on
plans for
Christmas
campaign

Actions: AW

To do: NR

5. Financial Performance Report

Al Cameron introduced the Financial Performance Report. We were not hitting financial targets currently because we were not getting the Mails volumes required and the Travel market had yet to recover. We would work through these issues over the next few weeks and this might lead to changes in our recommendations on MDA2 remuneration. The position could revive if we had a very successful Christmas trading period and the Travel market returned. It was, however, positive that the network was operating with 11,500 branches again.

There were fewer people in Supply Chain and some other areas of the business because of self-isolation requirements but we were restarting contracts with Loomis to be able to deal with the increased cash volumes.

A number of points were raised and addressed:

- Ken McCall asked about the incentives for the banks to increase transaction volumes and whether we were creating our own cash volume problems through encouraging deposit volumes. KM also asked whether there was anything the banks could do to ameliorate the position. AC explained that increased volumes under BF2 were positive for POL, notwithstanding the costs of processing the additional cash. We would be coming back to the Board in September 2021 for a decision about our participation in the Note Circulation Scheme run by the Bank of England. In the longer-term there was the potential to outsource the whole of Supply Chain but this was not proposed currently
- Elliot Jacobs noted that one of the challenges faced by Postmasters was not having equipment to count cash which had become more of an issue when handling higher volumes of cash. KM asked whether we could acquire some of the banks' counting



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machines as branches were closing and it was agreed that we would investigate whether this was an option

Action:
executive

- Saf Ismail reported that he had visited the Cash Centre last week and thought there were some “quick wins” that we could implement like counting cash over the weekend and having a uniform approach to sending cash to branches (e.g. different coloured bags for Scottish notes). AC explained that the opening hours were regulated by the Bank of England and we had to provide an exact amount of cash by a set time; we had sought some relaxation of these rules. The rules around the provision of cash to branches were not always adhered to but it was a reasonable question to explore. AC added that not counting cash on camera would be controversial for a lot of Postmasters
- LH requested information on depreciation variances and staff charges
- EJ noted that it would be helpful to have the variance in trading figures over a two-year period rather than last year’s alone as this had been an abnormal picture because of Covid-19.

To do: AC/MJ
To do: AC/MJ

6. Funding Submission and 3 Year Plan

Al Cameron provided an overview of the funding submission, our priorities, our commitments, and the danger of the amount we requested being reduced. AC added that our explanation of our longer-term sustainability, which would not be achieved during this funding period, was likely to be disappointing for the Shareholder.

We faced significant issues on profitability for Postmasters and Postmaster remuneration needed to increase by circa [RELEVANT] Profit Share had now been deferred in preference to increases in transaction/ product fees. The costs to run the business remained high and a third of staff reduction costs were included in the Plan. The rest would have to come in future years. Covid-19, Historical Matters and SPM required resources. We had clarified better what comprised network subsidy costs and were asking for more. We still needed to develop parts of the submission, including the strength of proposition post 2024/25, and our explanation of branch definition. We were seeking the Board’s views on whether we should be spending this money in the ways proposed. Technology would be a key enabler across the plan. The seven business priorities had been a useful way to help us prioritise. We were following a three-year budgeting process and this was our view today.

The elements included in “Licence to operate” were necessary to spend to run the business and comprised [RELEVANT] of the costs, while change and transformation accounted for [RELEVANT]. We could spend [RELEVANT] on re-procuring IT projects and this had to comply with public procurement rules. AC described the main Change & Transformation projects, noting that we had choices within this. We could spend less on certain improvements but this had consequences.

We were prioritising support for our Postmasters and this included automation, principally in Mails and counter cash. We had to achieve conformance with the Horizon Issues Judgment (HIJ) but were also proposing further improvements to Horizon. AC was concerned that we were being optimistic about some of these costs so was reviewing them.

Network maintenance was not a negotiable activity and investment in new branch technology was not entirely discretionary. Procurement spend was significant because of the public sector procurement requirements.

A number of points were raised and addressed:

- Ken McCall queried whether some elements bracketed as prioritising our Postmasters actually met this description. Tim McInnes explained the investment spend by area



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- Zarin Patel asked about automation and the leasing arrangements. Tim Parker asked about the extent to which we could provide more equipment for Postmasters that made running a Post Office easier even if that equipment were not funded by POL. TM explained that we were trailing the cash and banking equipment in as part of the Drop & Go pilots
- Carla Stent asked where we had increased Postmaster remuneration and Tom Cooper asked what we would be delivering at a cost of [RELEVANT] per branch. TM referred to the slide setting out Postmaster remuneration and the models for the automation pilots. Elliot Jacobs noted that [RELEVANT] on a branch fit out was a limited amount. Saf Ismail added that this also raised the question of the contractors we were using. Tim Parker suggested that we consider the operational detail in the individual sessions being run on 28th July 2021. SI asked how we would know how many Postmasters would be willing to contribute to a co-investment and TM offered to provide more information to SI about this this offline
- Elliot James asked what the creation of value for the Shareholder meant and TM explained that this was a mixture of creation of financial value, policy value and cost savings
- Lisa Harrington thought that the Post Office Operating Model description would benefit from greater clarity and we should be clear that SPM only accounted for a proportion of the total IT spend; this felt like two buckets of spend. Carla Stent added that there was also the issue of trying to deliver all of this work in a three-year period. Tim Parker observed that we could state that this was our current best estimate and take out projects subsequently if necessary. We were likely to be challenged on elements of our funding request in any case. The obligations of running such a large network and the changes required were likely to drive cost pressures. LH agreed with the context described but noted that businesses could sometimes run with fairly basic equipment and TP agreed that such an approach would be likely in a private equity funded business
- CS observed that our proposals on Postmaster remuneration did not take us to a position where remuneration matched the position of several years earlier once inflation had been taken into account. CS asked whether we should be seeking to get to the right baseline after which we could move forward properly: under this plan there would still be a delta. Tom Cooper noted that the Shareholder had heard this argument on previous occasions and the answer was to remove costs from the business overall. The strategic challenge was to take costs out of the business rather than to increase Postmaster remuneration as the default. Elliot Jacobs noted that the pressure on Postmaster costs had been caused by external factors such as increases to the minimum wage. CS added that we still had to operate 11,500 branches which had to offer certain products but this did not enable all Postmasters to make a reasonable living. Ken McCall observed that these points were not mutually exclusive. We needed to be able to operate a sustainable network, underpinned by the subsidy fee, enabling increases in Postmaster remuneration but also cutting costs in the business
- KM noted that he was surprised by how little money was going into IT security given the increased risk of ransomware attacks and so forth. LH observed that some of these costs would be built into the SPM work. TM explained that we had programme of activity on IT security set out for the next three years, excluding any additional regulatory requirements. The Programme was linked to our current level of maturity, moving to our future desired position. CS noted that some of this work was already in train
- Zarin Patel noted that there might be work that we slowed down rather than stopped. TP agreed that this could be an outcome but we needed to articulate clearly what had to be done to keep POL running and we needed to understand the true costs of the

To do: TM

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network now. Remuneration was the total amount paid to Postmasters across the 11,500 branches when what we thought should happen was to have fewer full format branches with better remunerated Postmasters and a lower cost base. NR agreed with this but it was not a conversation we could have today. TP agreed that we were at a transition state and had a limited degree of freedom

- Al Cameron noted that could ask for less funding or undertake more cost reduction. The Board had been risk averse about procurement risk and we could not cut costs and be so risk averse. To run the IT team as discussed we would need to have the in-house IT capability
- KM noted that the previous Strategy Plan, pre-Covid, had envisaged a headcount reduction from 3,000 + to circa 1,600 – 1,700 FTE and asked what the barriers were to enable this. AC reported that franchising DMBs was a major element of this as there were circa 1,100 employees in DMBs and we were also considering the workers' rights issue now. There were also circa 700 employees in Supply Chain. There were 1,300 – 1,400 employees in POL functions, including the field teams, and reducing these requirements entailed automation, money and time. There had been 8,000 POL employees in 2015. There was little optionality now with the Statutory Inquiry and SPM and limitations on funding. TP added that the plans we had looked at in the past had also been before the Judgments had been published. There were investments to be made but there was a question of how and when you spent the money to create a proposition that was capable of turning POL into a sustainable business. Parcels, cash and the size of the network were difficult to square. We had to make choices. We had to sort out the IT situation. We had to have a business that had a future of a least 10 years
- CS asked what the costs of running the business would be with, say, 4,000 branches and whether the Government was prepared to keep funding the current network. EJ noted that Post Offices had to be a viable proposition if you wanted Postmasters to lease equipment, co-invest etc. TC asked what costs sat with Postmasters now and what the optimal branch network would look like. EJ observed that a lot of spend was shown for branches that no-one would want to buy. TC thought that we needed to show the cost of the political decision to maintain a large network. TP added that we needed to be able to answer where the value lay in the business
- ZP noted that we needed to think about being a digital business. TP added that we had two businesses: Parcels and Cash. In five years' time there would not be a profitable market in labels and acceptance. The world was shifting rapidly online for initiation. CS thought it would be a mistake not to make a funding submission reflecting these changes and what a network of 4,000 branches would look like
- AC noted that we could not discount the subsidy we received but to reduce costs of an uncommercial network we would need to embrace the use of outreach and use more Payzone outlets which would not be popular. The network was run paternalistically but Postmasters could be allowed to make their own choices on certain matters and pay for them. We could save money by being less prescriptive
- TP noted that there was a question of whether we wanted to spend money on capital projects or reducing the uncommercial elements of the network. KM thought we should include a figure for what a sustainable network would be starting with a blank sheet of paper and what was needed to run the network today. TM thought there was a broader question of the cost of the Government policy but the shorter-term focus was on matters like the costs of network churn. TP thought the key measure was Postmaster remuneration per outlet and would like the submission to sharpen up the existential problems we had identified that were unquantified. What we were trying to do now was to keep the network running



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- LH noted that she was anxious that we were not bringing the customer to the fore of the debate enough
- TP thought that the tail off for using cash would happen quicker than currently assumed. A significant change in consumer behaviour could be anticipated. People would be less willing to use the RMG's complicated pricing system for parcels and Hermes was a serious competitor
- EJ asked about profit share not being part of the proposal as he thought this would drive engagement and give people "a stake in the game". It was also about the style of relationship between franchiser and franchisee. NR explained that BEIS had underlined the need to get a return on their investments in POL. Our objective for profit sharing remained clear but there was a timing issue given the current priorities, including increases to Postmaster remuneration. AC noted that there would be a trade-off. We could ask for what was set out in the Plan, less or more. We would be asking for more than we had done in previous years but we genuinely thought the network was at risk because of Postmaster remuneration and we had to deliver SPM. We had tried to balance our approach. CS thought that we should at least signal the real cost of becoming sustainable in terms of the size of the network, Postmaster remuneration and so forth
- Ben Tidswell noted that the proposals did not seem to represent a transformation and asked about the likely outcome for the funding requests. TC reported that the team at BEIS had £50m in their minds for the network subsidy. The team had fought on POL's behalf for a substantial funding request last year. There had been a major deterioration in the business's performance from an owner's point of view but the constraints on the business were understood. TP agreed that this was a "ticking over" proposition. We had talked about transformation over a period of time but had not got to the point where the business was commercially sustainable
- TC advised that we should be careful where we proposed spending money. We would get a better hearing from Government on spending on automation to improve the stability of the network than on Mails remuneration
- TP asked what the options were for cuts if the funding granted were less than requested. AC explained that we had included a contingency for SPM, some projects could not go ahead, and less could be spent on Postmaster remuneration; we could also accept more risk by running more outreaches. Nevertheless, AC thought we should ask for what we thought was the right amount of funding
- TP observed that a further question was whether the trading plan was optimistic or realistic. AC noted that trading was not on track in the current year. To achieve the stretch targets we had to believe that the travel market was coming back and that travel cash was coming back. KM observed that POL had delivered nearly £90m of profitability pre-Covid. TP thought that the classification of expenditure had been one issue. Currently, SPM was a significant factor and this had been higher than it might otherwise have been because of the need to respond to the findings of the Judgments
- AC noted that we did not have a thorough churn analysis but it would be helpful for Martin Edwards to take the Board through Postmaster economics. CS added that it would be helpful to include some case studies in our funding submission to support our case for increases in Postmaster remuneration and for a higher subsidy fee. TP noted that the counter argument would be that the retail side of the business should be driving the contribution. TP asked whether churn would be much greater if we did not spend the money proposed and dealt with churn differently. EJ thought it was a question of value per outlet more than value per transaction. Being able to use automation and data would enable a reduction in overheads. You either needed more customers or a cheaper operating model and you had to decide where your investment would be. The overheads versus the remuneration needed to work. Saf Ismail added



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that we had to look at reducing the number of Mains branches and offering more basic formats with fewer services. TP agreed with these points but added that we needed to understand the shape of the network now. TM described the SGEI requirements, meeting which included maintaining a network of 7,500 branches currently. TM described where we had flexibility. Reducing the branch network would not be a popular conversation with BEIS but we needed to discuss the true cost of running the network and the subsidy required to do so; what we were doing or could do to decrease costs had to be part of that discussion. The right size of network was as much about the branch format as the quantum

- CS thought we needed to signpost that we were not asking for funding that would bridge the delta on Postmaster remuneration now and this was intrinsically linked to the size of the network. This was short-term view not a longer-term solution. TC also thought we should define what was meant by sustainable. If we stripped out some of the costs discussed the business could continue but we could not reach a trading profit of £100m until the end of the period. Everyone agreed that the business needed to be right sized
- ZP was concerned that we were not thinking enough about the future. We needed to explain more the cost of the policy of maintaining a branch network of 11,500. KM noted that the subsidy figure used to be a lot higher. This plan was “keeping the lights on” for the next few years rather than representing a transformation and becoming a digital business. TP agreed that this needed to be signposted. TM advised that we could provide a covering memo for the Minister. TP added that Government would want to know the cost of the next network transformation. AC noted that if our contention was that we were struggling to retain Postmasters we should not need to pay them to go. However, our proposition to Amazon and the banks was that Post Office was where other firms were not. EJ pointed out that our modelling work helped with this conundrum. The network of branches meeting the SGEIs could be 7,500 but we would still had a bigger network overall but with a simpler format for other branches
- TC thought we had to think carefully about the amount of subsidy we requested and suggested keeping the request flat at £50m a year through the period while seeking more through investment spend. AC noted that the cost of running the uncommercial part of the network had increased through Covid but would reduce again over the period which was reflected in the Plan.

The submission of the draft Funding Submission and 3 Year Plan was **APPROVED** subject to reflecting the points raised by the Board regarding the submissions. The POL Team would have a conversation with the BEIS team prior to making the submission.

Action: AC/
TM/ MJ

7. People Strategy – Progress (including deliverables of OD strategic recommendations, Culture Ways of Working, Talent/D&I to ensure capability is in place to deliver 2025 vision)

Nick Read introduced the discussion. People Strategy had not been discussed at the Board for some time although capabilities, stretched resources/ bandwidth, attracting talent and Diversity & Inclusion issues had all been flagged. We would come back to the Board with firmed up plans on these topics in the autumn.

Angela Williams introduced the paper, which was positioned as a thinking paper that had relevance to the strategy topics being discussed over the next couple of days. All of our strategy was dependent on having the right people in the right place at the right time. We wanted to focus on total resource not just FTE. The paper included a “first pass” of our strategy on a page. Our vision and strategic intent were described. This included the need to think and behave like a retailer and deliver the service we needed to. We had set out



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our Ways of Working. We needed to consider what we wanted our stakeholders to say about us.

Culture was referred to in the context of being an organisation that needed to act and deliver like a retailer. We needed to build trust through the three promises to Employees, Postmasters and Customers supported by a joined-up leadership approach.

The Organisation Design needed to set us up for the future. We needed to look at the total cost base rather than FTE in isolation. We needed to address talent and capability needs. POL needed to recruit scarce digital skills and lacked people with retail and franchise experience. We needed to be creative in our reward and recognition strategy. We had a high number of open roles currently and this was a significant risk.

The work required on People Strategy was set out in the brackets of remediating past errors, our present work and the future work needed to be able to achieve our 2025 vision.

A number of points were raised and addressed, including:

- Elliot Jacobs asked who our benchmarks were for being successful in hiring the type of talent we needed. AW explained that this depended on what market sector we wanted to look at. Amazon and Google had flexible reward and working approach; their roles were well paid, highly competitive and they provided a good working environment. Meanwhile, John Lewis had a strong employer brand and Timpson had been progressive as a franchiser in the CSR space
- Zarin Patel thought the diagnostic was correct but that we had lost track of where we were trying to get to on Organisational Design. ZP asked whether we had sought to review the reward approach taken by other Government bodies. AW thought this worth considering and added that our approach to reward was largely “one size fits all” at the moment. We were unionised and subject to collective bargaining which imposed some limitations on the approach we could take. We needed different structures and approaches for different areas such as digital. We could tailor reward more around job families To do: AW
- Lisa Harrington noted that she had not seen meritocracy addressed in the paper. AW explained that we needed to look at our performance management process. It was traditional and rigid but this was somewhat linked to collective bargaining requirements. AW would seek to highlight meritocracy more in the People Strategy. LH agreed that job families could work and added that there were organisations like the Ombudsman Service that were rated as great companies to work for that would not be competitively remunerated. People valued the opportunity to get really good personal development and re-skilling was valued by many employees. AW noted that we did not have many people with digital skills and this drove the question of whether we could retrain people already in the business or not and the approach we should take in the Mails space. AW had not included much in the budget for retraining individuals but would review the approach. LH noted that there was also scope for bonding with other companies To do: AW
- Carla Stent thought we needed to be cognisant of the risk of dilution of knowledge and control when using contractors. We needed to look at what people’s careers might look like at POL. CS asked what metrics we needed to take a view on progress with the People Strategy over time. AW explained that the three promises would need to include the right engagement metrics which we would track against. We would use industry best practice on trust measures To do: AW
- Ken McCall noted that we needed to look at our Mails and Cash capabilities currently; this was especially important as our core strategy was dependent on high performance in these areas. In Mails we needed strategic leadership and technical skills. We had



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generalist IT skills in the business at the moment. We needed to assess the strength of the core teams and the gaps within this in terms of capability, leadership, job roles and skills gaps. We needed to strengthen Mails and Banking in particular and take out any roles that we no longer needed e.g. certain generalist roles. NR acknowledged that there was an imbalance at the moment with too little resource in these critical areas. AW agreed that it was an area of concern and where the work would be product led and technically enabled. It was agreed that these two areas would be pulled out and focussed on in the People Strategy. Al Cameron asked whether this meant were we prepared to pay competitively for these roles.

Action: AW

EJ noted that it was better to have fewer highly skilled people than a larger number of less skilled individuals. TP agreed and added that success was driven from the top through a small number of critical roles. AW reported that this analysis would be undertaken and we would come back to the Board with proposals. We needed more breadth of leadership in some areas. TP noted that this was an issue we had been articulating for some time and we needed to understand the cause of not being able to attract the right people.

EJ noted that SPM was an exciting project to be involved in and there would be other examples of this at POL. NR noted that POL was not necessarily seen as an attractive brand for the markets in which we were seeking to attract candidates who were not convinced that they would get the salary they were seeking. CS concurred that SPM was creating something new and exciting which ought to be an incentive but POL often seemed to attract people wanting to give something back at the end of their careers. TP asked whether there was a remuneration issue and if so why. AW explained that we needed to improve our Employee Value Proposition, we were affected by pay compression at the top and we did not have job families in place. The SPM team was largely in place and people were being paid highly but there was a sustainability issue around this. A contractor environment also drove different behaviours. Culture took time to shape. CS agreed that we needed to have some permanence and not be overly contractor based. KM added that we needed to have people who understood what the structure of, say, the Mails Team needed to look like. We needed to identify the roles and people we needed and tailor our proposition to that

- Saf Ismail asked about Zdravko Mladenov's motivation for joining Post Office and NR explained that he felt a connection to the brand and the business. SI noted that this was the case for many Postmasters. EJ reflected that people joined organisations for the culture, experience, work/life balance and so forth all of which could be as much or more important than money. Good people also brought good people with them
- AC noted that the broader leadership team had been offered a deal where bonuses were delivered if they delivered and they had lost trust in POL fulfilling what it said it would. AC agreed that we needed to attract highly skilled people but we had to be able to communicate clearly and transparently to the Senior Leadership Group on bonuses. AW noted that we were now in a position to report on the bonus position and we needed to be able to sustain that position
- TP noted that it could be hard to fit people into an existing structure but it was sometimes necessary to do this. We had to find the right people and find what they wanted. There was also a question of whether the people you had at a senior level were the right people. CS added that we needed to carry out proper testing of the people being recruited. NR and AC added that we needed to build a pipeline so that people were ready to step up into roles. AW reported that we wanted to produce an organisation design based on the strategy agreed over the next couple of days. We did not want to hire people randomly. AW added that we also needed to strengthen the



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People area to support this. Some people could be supported to develop and grow but not in all instances

- AC noted that there had been consistent churn in the senior leadership team since POL's separation from the RMG. The challenge kept getting harder so POL kept needing a step change in capability
- EJ referred to the promise to customers. To be able to deliver this we needed to think about the training we could give to Postmasters to help them run a great Post Office and train their staff. AW added that this was normal practice for a franchise; it would be a big shift for POL but AW was discussing this approach with Amanda Jones. EJ noted that the standards and approach in Post Offices were very different. As a franchiser, POL should have the right to say how customer service should be delivered and set the standard. AC noted that there was a capability gap for us currently and bridging it would be a major investment. Many of the Area Managers were not retailers
- Ben Tidswell asked whether we had asked people what they thought about POL. AW referred to the Organisational Health Index run by McKinsey in 2019; we wanted to do a baseline check in October or November 2021 using the OHI or an equivalent. BT noted that this was an important part of the diagnostic. NR reported that the Ways of Working agreed were very important for us and other measures that addressed imbalances of power
- SI asked what percentage of staff were not good enough to fulfil the requirements of their role. AW noted that this depended on what criteria you applied but there were considerable gaps. The capable individuals had been asked to take on more and were consequently overworked.

8. Actions from Board Effectiveness Review

Tim Parker introduced the discussion and noted that Independent Audit Limited had produced a helpful report and this paper was seeking to implement their proposals.

Lisa Harrington asked if we could have a target for the maximum numbers of pages for Board reports and Veronica Branton reported that this was a maximum of six pages and four pages of appendices but it was not always adhered so we would reinforce the message.

To do: VB

LH requested that we include ESG on the Board agenda.

To do: VB

Ken McCall suggested we set up quarterly talent discussions.

To do: VB

The Board **APPROVED** the recommended actions linked to the Board review produced by Independent Audit Limited for 2020/21, which were that:

- a more structured Board forward plan would be produced for the September Board meeting that built in the areas the Board wanted more focus on
- Board Directors would be asked to 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 would revert 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, talent etc would be scheduled (quarterly initially)
- NED only meetings would be scheduled around most Board meetings, and before the Board dinner on the preceding evening where feasible
- a specific slot on organisation culture would be included on the Board agenda periodically in addition to regular updates



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- the Company Secretariat Team would 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 would be built back into the Board agendas
- the appraisal process instigated for each Non-Executive Director to meet the Chairman annually would continue.

9.1 Modern Slavery Statement

Carla Stent reported that the Modern Slavery Statement had been discussed at the Audit Risk and Compliance Committee (ARC) on 26th July 2021 and significant improvements had been made to our approach, including observations for any indicators of Modern Slavery in branches and training for Postmasters and employees.

Elliot Jacobs reported that he was not aware of any changes to training for existing Postmasters. CS reported that she thought this training was provided via the Area Managers but this would be checked.

Action:
executive

The Board **APPROVED** the 2020/2021 Modern Slavery Statement and endorsed the proposed commitments Post Office Limited would take forward in the 2021/2022 financial year.

9.2 Strategic Platform Modernisation Programme (SPM)

Lisa Harrington requested that the Board have better visibility of delays in the SPM Programme as the timelines for SPM were so tight.

To do:
Zdravko
Mladenov

Ken McCall asked whether Elliot Jacobs and Saf Ismail's views on Postmaster engagement on SPM would be sought. Nick Read reported that EJ and SI would be participating in a video about SPM for Postmasters that would be filmed later in the day. KM noted that he would be reassured if EJ and SI were content with the testing arrangements.

The Board **APPROVED** a drawdown of £12.35m for the SPM programme, covering the period July to December 2021 inclusive. The drawdown was in accordance with the overarching Business Case submitted in June 2021. The £12.35M was broken down as £6.376M Capex and £5.974M Exceptional funding.

9.3 EUC Contract

Lisa Harrington asked about the value of the contract compared to today's contract and Al Cameron reported that it was similar. The parameters for the contract had been set previously and we were not committed to buying the equipment.

Zarin Patel noted that we should make sure that the variable elements of the contract were in our favour.

The Board:

- **APPROVED** delegated authority to the Group Executive to approve the EUC Services Contract Award up to a value of £75m and for the Chief Information Officer to finalise and approve the final agreement as Contract Owner. The contract would be executed by an approved authorised signatory.
- **APPROVED** the standard liability for the Customer established in the Technology Services 2 framework arrangements, which was set at one year's fees in respect of losses caused by Customer Cause.

9.4 Pension Assurance

Al Cameron introduced the paper noting that there would be a negotiation with the pension trustees on the costs associated with the errors made by POL in its calculation of



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pensionable earnings. General allowances were made in the settlement scheme and there were legal limits on what POL had to pay.

Tom Cooper asked if it could take a long time to resolve the matter if our expectations on costs were unrealistically low and whether we should allow Angela Williams greater scope for negotiation. AC reported that the Trustee had taken some time to respond to the issue. A few existing pensioners were being overpaid and it was likely that we would need to continue to pay at that rate but we would need to correct quotes for pension scheme members who had not yet received their pension.

The Board **APPROVED** the mandate for the Chief People Officer to enter into discussions with the RMPP Trustee to settle POL's obligations to the RMPP in connection with errors made by Post Office in its calculation of pensionable earnings. The mandate sought was to reach a settlement that did not exceed [REDACTED] without further recourse to the Board.

9.5 PUDO Update

The Board decided to consider the approvals sought on PUDO after the discussions on Mails and commercial opportunities taking place on 28th July 2021.

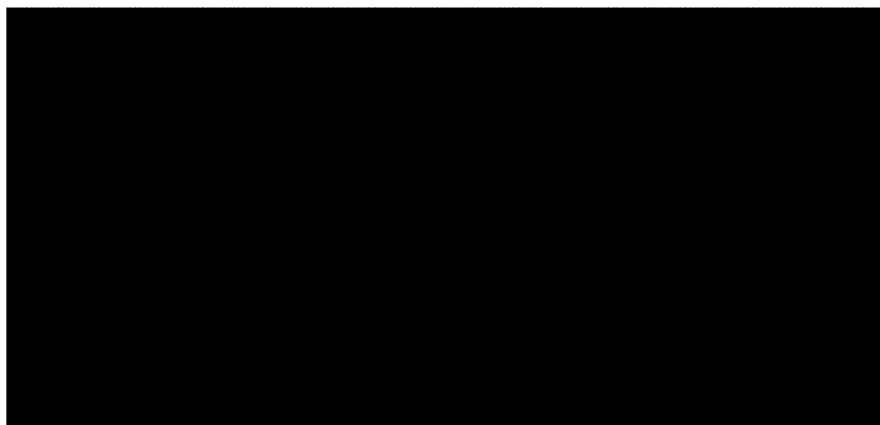
Noting and governance items

10.1 Health and Safety Report

Al Cameron reported that two drivers had been caught driving illegally and had lost their jobs as a consequence. We had started using CCTV in cabs on a random basis and we were revitalising our approach on these issues. In response to questions, AC explained the programme of compliance checks in place for properties and the recognition of the increased dangers associated with handling more cash, noting that fogging and gas suppression had proved the most helpful safety measures.

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

10.2 Starling Update



The Starling Update was **NOTED**.

10.3 Belfast Exit – Migration Assurance

The Belfast Exit – Migration Assurance paper was **NOTED**.

10.4 Sealings

The Board **APPROVED** the affixing of the Common Seal of the Company to the documents set out against items number 2071 and 2072 in the seal register.



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10.5 Future Meeting Dates

The future meeting dates were **NOTED**.

10.6 Forward Agenda

The Forward Agenda was **NOTED**.

11. Any Other Business

There being no other business the Chairman declared the meeting closed at 14:40 hrs.

12. Date of next scheduled meeting

28th September 2021.

Tim Parker

Chairman

14/10/2021 10:06

Voting Results for Board Minutes from 27.07.2021 (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