



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

MINUTES OF A MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON TUESDAY 26 OCTOBER 2021 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 09:00 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 Finance Officer (AC)
In attendance:	Veronica Branton	Company Secretary (VB)
	Max Jacobi	Strategic Financial Planning and Analysis Director (MJ) (Items 8.)
	Kathryn Sherratt	Finance Director - Network, Support and Change Finance (KS) (Item 8.)
	Cathy Mayor	Finance Director – Commercial (CM) (Item 8.)
	Barbara Bannon	Procurement Director (BB) (Item 5.)
	Dan Zinner	Group Chief Operating Officer (DZ) (Item 9.)
	Ben Foat	Group General Counsel (BF) (Items 9. - 12.)
	Zdravko Mladenov	Business Transformation Unit Director (ZM) (Item 6.)
	Jeff Smyth	Group Chief Information Officer (JS) (Items 6. & 7.)
	Andrew Lidbetter	Herbert Smith Freehills (AL) (Item 11.)
Apologies:	N/A	

Action

1. Welcome and Conflicts of Interest

A quorum being present, the Chairman opened the meeting.

Elliot Jacobs and Saf Ismail declared a conflict of interest in relation to agenda item 9. on Postmaster Detriment. Under Article 54 of the Articles of Association the directors were permitted to authorise any matter which would otherwise involve a director breaching his duty under the Companies Act to avoid conflicts of interest. The Directors authorised this conflict of interest such that EJ and SI would participate in the discussion but would not count towards the quorum or vote on the resolution sought.

Otherwise, 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 meetings held on 19th August, 31st August, 24th September & 28th September 2021.

A comment from Lisa Harrington on the discussion on the Belfast Exit Programme at the Board meeting held 28th September 2021 was incorporated into the minutes. Tom Cooper had asked for a post-meeting note to be included in the minutes of the Board meeting held on 31st August 2021 following subsequent discussions on the appointment of HSF to support POL on the Statutory Inquiry work and this note had been added.

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



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

3. Committee Reports (verbal)

Historical Remediation Committee

Ben Tidswell reported that the processing of Historical Shortfall Scheme (HSS) claims had fallen behind over the summer and there were some doubts about the sophistication of the modelling work. We would be getting back on track with HSS numbers over the next period. Work on the overturned historical convictions (OHCs) was progressing according to plan. We were expecting the first partially quantified cases to be considered shortly and the funding situation was being discussed with government.

Nick Read asked whether the 50% target for HSS claims offers was on track for January 2022. The Shareholder was keen to publish figures but NR wanted to be clear about the future assumptions and timelines before doing so. BT explained that uncertainties remained and that we needed to understand the assumptions better. We also needed to start assessing the consequential losses cases.

Ken McCall asked whether it would be better to include a range for the completion target given the degree of uncertainty. NR noted that the only way of justifying publishing a 24% completion figure was being able to say what we were going to do next. Tim Parker added that there needed to be a commentary to accompany the figures. NR thought that KM's idea was worth exploring further.

Chair appointment

Tom Cooper reported that the first stage approvals for the role specification, timetable and search agency were being considered by No 10 Downing Street. The subsequent steps in the process were not likely to start until January 2022.

Senior Independent Director

Tim Parker reported that when Ken McCall stepped down in January 2022 a new Senior Independent Director needed to be appointed and the Nominations Committee recommended Zarin Patel's appointment to the Board. The Board **APPROVED** the appointment of Zarin Patel as the Senior Independent Director for Post Office Limited from 26th January 2022.

4. CEO Report

Nick Read introduced the report which he had split between the internal and external narrative. Our deliverables were set out against the priorities identified in April 2021 and we were going through one of the six deliverables at the ten@ten sessions. The half-year position had been last week's focus and we were honing in on POL being a trading business.

There had been a number of P1, P2 and P3 incidents, the root causes of which were being investigated but were not thematic. We had faced issues with Fujitsu and deployment and these problems were becoming more acute. We wanted to focus Fujitsu on the tasks only they could complete and build our internal capability; NR and Jeff Smyth would be spending more of their time delivering this.

Wellbeing was a major focus for colleagues internally. We had established the online booking system which allowed 50% occupancy in the offices. The uncertainty with the Covid situation currently meant that this was not the right time to mandate attendance and would see what happened over the next 10 days or so on government advice. There was still some uncertainty amongst colleagues about when they needed to come into the office and we would make that clearer.

Historical matters work, Covid and transformation work was taking its toll on colleagues. There were particular pressures in IT, Legal and Finance, while Network always



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

experienced a certain amount of pressure. We also had some capability gaps and had received eight resignations in the SLG where people did not think that the pressure would reduce and that the Statutory Inquiry would increase the pressure further. The market was in favour of applicants currently and we might not be able to attract the people we needed in all instances.

Work on Banking Framework 3 was progressing well and Lloyds' sign-up was encouraging. We were keen to increase the number of Banking Hubs to 25-30 and we were at the heart of making this work.

SLG events with Postmasters and their Area Managers were taking place with circa 70 having taken place so far. The branch visits would be followed up with branch help in December 2021.

We were also focussed on the oral evidence to the Statutory Inquiry from April 2022 and the work to support this.

Trading was good commercially outside of Mails but this accounted for 60% of our income so was critical.

A number of points were raised and addressed:

- Ken McCall as how many of the top team were in the office and for how many days a week. KM added that others would come in if the senior leadership team were in the office. Al Cameron reported that people would come into the office if there was a clear purpose for doing so and were coming in for particular sessions. However, people had been doing their day jobs without coming into the office for the last 18 months and we needed to make the case for more return to office working. Carla Stent noted that for collaboration, design and tackling difficult issues face-to-face working was often better. KM added that Post Office sometimes had a commercial approach and sometimes a public sector approach and with return to the office it was the latter. Elliot Jacobs noted that Postmasters had been on the front line so it was important for the leadership team to encourage people back to more office working. Tim Parker agreed that the example was set by managers and most organisations were expecting staff to be in the office at least one day a week but it should be the CEO's judgement on where POL positioned this
- Zarin Patel asked whether Postmasters were feeling engaged. NR thought so and this was a significant change. ZP asked whether Postmasters also felt listened to. Again, NR thought that was the case with the co-creation groups and the establishment of the engagement forums. We broke down branch visits by risks/ needs, recognising that not all Postmasters needed or valued a visit. ZP asked whether our leaders had changing their behaviours. NR thought this would take a long time to develop fully and we were not a service orientated business yet. This approach had been developed with Area Managers but there was a focus on resolving issues more than on driving additional trade. We were still working through issues with call centres. Branch Hub now had data on trading for individuals in branches. Saf Ismail thought it was premature to say that Postmasters were engaged; they were glad to see people again with engagement events and "Adopt an Area" but we should be better placed to form a view on engagement in 6 months' time. AC noted that he was concerned about meeting the same Postmasters and wondered whether these were the people the Area Manager was most comfortable for us to meet. This meant there could be a gap with people who were disengaged or for good reasons did not want to/ have time to engage. TP thought this was what tended to happen when running engagement events but the most important thing we could do was to be able to deliver a good living for Postmasters



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

- Lisa Harrington noted that there was still no reporting on the customer perspective and this needed to be built in. NR explained that this would not change until after the Statutory Inquiry as we had a limited bandwidth
- EJ noted that while we needed to address the historical issues we should avoid fixating on the past and make sure we understood current Postmasters' concerns and focus on the future of the business
- KM noted that it would be helpful to include a commentary on the Branch Hub statistics for each Board meeting and highlight some on the key issues. SI reported that he had spoken with Zdravko Mladenov and the Team about the reports that it would be helpful to generate via Branch Hub and also being able to have more than one log-in which would increase the uptake and would be particularly helpful at peak trading time
- TP noted that the quality of our Area Managers was important for our delivery and the data available to them was critical. NR reported that they needed to "dominate" their area, understanding the data, the business in their area, when properties were becoming available and so forth. KM added that this needed to be turned into an incentive for Area Managers. NR agreed that this was another key pivot point but moving from being a business into being a retailer would not happen overnight. SI asked whether we had identified the top Area Managers with whom we could trial particular initiatives. NR confirmed this was the case and that the role was evolving and we had to look at the capabilities of the individuals undertaking these roles. AC noted that we would be replacing Horizon in a couple of years' time and that would be the sole focus for the network for a year. The network would be very different after SPM had been introduced
- SI reported that he had not seen the improvements referred to on scanning for stamps and asked why this had been left so late. NR thought this was a fair challenge and added that we were not good enough yet at describing the positive changes we had made to support Postmasters and make it easier for them to carry out their role. The Common Issues Judgment (CIJ) and Horizon Issues Judgment (HIJ) resolutions needed to be communicated and there had to be a "drumbeat" for this but Postmaster communications in general were getting better. SI noted that the Mails Team needed to be strengthened. NR reported that Mark Siviter would be having a three-month leave of absence from the end of this week and we were looking at what we could do to structure that team in his absence
- Carla Stent asked about POL's relationship with RMG. NR reported that RMG had thought our incentive scheme for "Drop & Go" was [REDACTED] and had written to the Minister [REDACTED] it was one element of the exclusive relationship ending
- SI reported that the Passport app referred to needed to be rethought. A lot of branches had photo booths in place in which Postmasters had invested. The quality of photos taken on the app was poor, and, in some cases, were being rejected by the Passport Office. The tablet was slow and revenue did not reflect the additional work entailed and was leading to a reduction in revenue. NR would find out more about the position and come back to the Board
- ZP thought it would be helpful to see the long-term opportunities for the platform products, which were performing really well. TP added that it would be helpful to find partners to work with us on platform products or foreign exchange while providing them with a means of exit. CS noted that while it could be helpful to understand what might be possible, we should not overstretch ourselves. Our deal with Yoti had been a good example of being able to pursue an opportunity without requiring significant investment. TP added that foreign exchange had the potential to be a very valuable business if we could get end-to-end control.

Action:
Executive

Action: NR

**POST OFFICE LIMITED BOARD MEETING**
*Strictly Confidential***5. Procurement pipeline and exception approvals****Procurement pipeline**

Barbara Brannon introduced the report. SPM was driving a significant amount of procurement work and this was reflected in the pipeline.

Delegated Authority [REDACTED] **IRRELEVANT**

Agreement

Al Cameron reported that we had received a consistent message from the business that only [REDACTED] **IRRELEVANT** but the Mails Team had recently changed its view.

Ken McCall was sceptical about this and asked who would be able to provide the service in the way required. AC explained that we had to be able to evidence that no-one else could deliver the service and while we could take scale into account, we could not take into account cost. BB added that [REDACTED] **IRRELEVANT**

[REDACTED] **IRRELEVANT** currently but might have an interest in setting this up. [REDACTED] **IRRELEVANT**

[REDACTED] **IRRELEVANT** We would have to run an exercise to test commercial interest or accept a risk. AC noted that as a [REDACTED] **IRRELEVANT** and given the Board's previous views on non-compliance with PCR, he had not thought the Board would have any risk appetite.

Carla Stent noted that while she recognised that the Board tended to be risk averse in this area this was a strategic issue and there was a risk associated with a tender exercise but she also wanted to understand the risk of not going out to tender. Zarin Patel added that it was hard to imagine that [REDACTED] **IRRELEVANT** would be able to undertake this contract commercially.

Tom Cooper asked how long it would take to undertake a marketing testing exercise. BB explained that there were two Government frameworks in place through which we could test other market interest reasonably quickly. [REDACTED] **IRRELEVANT** [REDACTED] **IRRELEVANT**

Ben Tidswell noted that we should be seeking to do everything we could to mitigate the risk of a position [REDACTED]

[REDACTED] We should approve not anything as a Board that was unlawful. TP agreed that this was not a position the Board could endorse and it was not helpful to be placed in this position.

AC explained that he did not think that the view on whether [REDACTED] **IRRELEVANT** would be the only likely provider of the service was a "black or white" decision but was judgemental. AC asked whether the Board would wish to [REDACTED] **IRRELEVANT** if this could be done lawfully and this was confirmed.

It was **AGREED** that the team would test the case for another firm being able to provide this service further and come back to the Board. TP noted that any proposal had to be defensible and lawful.

Action: BB/
Legal

IRRELEVANT



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

Retrospective spend authority for contract with KPMG for Horizon Issues Judgment (HIJ) Implementation Support

The Board retrospectively **APPROVED** the amendment of an existing contract award to KPMG for the Horizon and Group Litigation Order IT target operating model implementation to a total contract value of [RELEVANT]

The contract had originally been less than [RELEVANT] but with subsequent additions went over [RELEVANT] so should have received approval from the Board.

Board directors expressed frustration at being asked to approve the contract spend retrospectively.

6. SPM: Devices and Peripheral Strategy Update

Zdravko Mladenov introduced the paper and provided a brief overview to the Strategic Platform Modernisation (SPM) programme in aggregate. We were on track to go live with the first "Drop & Go" branch in two days' time. Testing had been completed and we had engaged with Royal Mail Group (RMG) and sent a test parcel. We were planning to set up 10-25 new locations in the next couple of months but had a few issues to resolve.

A paper had been provided for the Board in July 2021. ZM provided a summary of the work undertaken since then, including finalising the business requirements, and noted with reference to the supply chain issues the Board had asked about in July, that a 6 month delivery period had been built into the programme.

A number of points were raised and addressed, including:

- Al Cameron thought that building in a six month delivery period was sensible but noted there could also be a sequencing issue, for example, if one element took 9 months to deliver
- Carla Stent observed that repairs across the network for modular devices could be resource intensive. ZM noted that the feedback from Postmasters and Strategic Partners had been different on modular versus integrated devices. On balance we were planning to adopt the modular approach but also investigate whether at a subsequent date we could provide Strategic Partners with an integrated chassis. Support costs for the latter could quickly escalate and there were pros and cons associated with either approach
- Lisa Harrington asked whether we had received any feedback from customers. ZM reported that we had only engaged with Postmasters and Strategic Partners so far and he would consider how we might involve customers
- ZM noted that Postmasters had been positive about having the option for a customer facing screen. Elliot Jacobs thought that we should promote this as a marketing opportunity
- Tim Parker noted that the number of Strategic Partners was much smaller than the number of Postmasters so it made sense that we should be driven by our Postmasters' views on devices. ZM explained that we would be undertaking a feasibility study in due course on integrating the modular device. Engagement with Strategic Partners took place at a corporate level and their position had been fairly uniform but there could be divergence if you "drilled down" to store level
- EJ thought that the work done was a significant achievement but it would be helpful to have a different name for the programme
- Zarin Patel asked how far forward we had considered our business requirements. ZM reported that we had considered these as far out as the life of the "off the shelf" products we were proposing to purchase. No product development avenues had been closed down. AC noted that our understanding of our underlying products was limited and our lack of commercial colleagues meant we were not designing products ahead

Action: ZM



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

- Ben Tidswell asked about the position on software and the EPOS system and whether we were going to end up not having a realistic decision as to whether to build or buy. ZM reported that we still had time to buy rather than build an EPOS system but there was no candidate in the market without complications. Belfast Exit needed to have an external interface. BT noted that things often went wrong with interconnectivity and it would be helpful to understand these risks. Jeff Smyth noted that he would be happy to go through this with BT
- EJ asked what we were doing to ensure that the platform was sufficiently resilient. JS described what had happened with the attempted hack on Computacenter. Since this we had been sweeping through every penetration test and considered whether these needed to be reshuffled. This was an ongoing requirement but JS was satisfied that we had done what we needed to for the new platform
- Saf Ismail noted that when looking at new technology we needed to talk to Strategic Partners and Postmasters about compliance and usability. TP thought that we needed a joint Postmaster and customer forum as Lisa Harrington had suggested.

Action: JS

7. "Drains up" on Belfast Exit Plan

Jeff Smyth introduced the presentation and summarised the context in which we were working, the tasks remaining, the recommendations and what this meant in practice. The waterfall chart showed the activity that had taken place over the last few years. Fujitsu were providing many services to us and were entrenched in the work associated with the Horizon system. However, POL had built the RMG "Drop & Go" app in three months. This was an example of successful delivery and we could leverage the cloud infrastructure as part of the SPM programme.

We could not continue to use Fujitsu resource as we were and they were struggling to attract people to the account. However, Fujitsu were competent at running the Horizon system. We could not halt the Belfast Exit programme as the infrastructure could break down and Fujitsu would not want to be held responsible for that. We were focused on how we moved forward, which included:

- 1) reducing the demand we placed on Fujitsu and prioritising Belfast Exit
- 2) focussing Fujitsu resource on the activities only they could do
- 3) undertaking the work we could do on application modernisation and aligning this with what was needed by the SPM programme. We needed to take on a more active delivery role and increase Nick Read's visibility of this, and, in tandem, the Board's. Our increased in-house role also heralded the role we needed to play in the longer-term.

A number of points were raised and addressed:

- Zarin Patel thought we had to understand the risks of increasing POL's activity and asked whether we had the technical expertise to do this; whether we could increase our role quickly; and how this affected the contract with Fujitsu. JS explained that Simon Odnall was starting a piece of work on the checks and balances needed for our proposed approach. JS added that we had reason for believing we could execute the approach proposed. We recognised that we did not have the bandwidth and technical capability so wanted to work with an external partner. We had demonstrated our capability through track and trace where we had reverse engineered the process. Lisa Harrington noted that we had used AWS and Slalom consulting to work on this and we wanted to do this more. Fujitsu could not show us the "ins and outs" of the Horizon system as they did not have that information
- AC noted that we had no choice but to do what we were proposing. Tim Parker noted that Fujitsu could not take on all of the work required. Ken McCall noted that the concern expressed at the last Board meeting was that we did not understand the



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

scale of the sum we were approving. That had not changed with the paper presented at this Board meeting. We knew about the position with Fujitsu, the complexity of the programme and needing to take on more work ourselves. What could give us comfort that the costs would not continue to spiral was linking these to the original scope of the Belfast Exit plan. JS described these changes at a high level but added that we could not have understood all the technical complexities at the outset. Tom Cooper observed that the costs had increased significantly during this financial year and asked what had happened between March and September 2021 that had driven an increase in cost of [REDACTED] TC was concerned that we were now talking about an “aspirational” plan. JS explained that we could not pin down the total costs until the work had been done to understand the full technical requirements and thereby the spend. Carla Stent asked when we would have this certainty. TP noted that we had overestimated Fujitsu’s capacity to deliver and underestimated the technical requirements. The fault was perhaps to have underestimated that degree of uncertainty from the outset. This was not a comfortable position when the total cost was unknown but we could not stop the programme now but might need a further discussion about the plan. We needed to get as much certainty as we could around the end state. TC thought this was more about the action plan than the figures. We needed to understand the people and resource requirements and understand when we would have a plan that was not aspirational. KM agreed that we needed to understand the budget, skill requirements, headcount, milestones and deliverables. TP added that we should include the worst case position and factor that into the spend. We needed to get a feel for how bad the position could be and we had to balance that with POL benefits, reputation and so forth

Action: JS

- LH noted that the amount of time that JS and NR would need to spend on this had shifted and the Board would also need more oversight of this
- Elliot Jacobs noted that he appreciated the challenge but this programme was essential and he asked where the Belfast Exit plan start affecting the SPM programme. JS reported that it would already have affected the launch plan for SPM if we had not built the app for track and trace but we now owned this key piece of infrastructure. EJ asked how far the Belfast Exit programme would need to fall behind for there to be a problem. JS explained that it was more a question of enablement but by June 2022 we needed to have built a slim counter. LH explained that this was why we needed a technical architect as they would sit across all of our programmes to orchestrate how these came together
- TP noted that there was a danger that the Team would feel too much pressure to watch the costs and there needed to be a proper trade-off between cost and getting the job done and we needed the right resource to help us do this. CS agreed but noted that we needed to appoint the technical architect, ask them to undertake a full review, including the resource requirements and the cost to deliver that. We needed to re-set the project and the expectations. TP noted that the Team had a very hard job to do. We needed to understand the worst case and the Team then needed to grasp the strategy
- Ben Tidswell asked whether we understood where the risk points were. JS reported that we had increasing visibility of this but had relied for a long period of time on a third party. It took time to build up our knowledge and capability, through a mixture of increasing internal knowledge as well as our alternative third party support. We had a busy portfolio of work but had been trying to reduce demand to be able to focus on what our dependencies were. JS would include the “umbrella” tasks like moving from Computacenter to DXC in his next Board paper. The paper would seek to provide the Board with greater schedule certainty and show the risks and mitigations. The Board also needed to see what staged deliverables were and that they were



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

being hit so we would include a microscopic as well as telescopic view. ZP added that we needed Credera to meet the Board as we needed to have confidence in them.

The Board **ENDORSED** three specific Belfast Exit programme interventions:

- Post Office would undertake a stepped-up direct delivery management role in the technical and programmatic delivery of Horizon's migration to the AWS cloud **Actions: JS**
- A revised programme approach to narrow Fujitsu's focus solely onto those technical tasks that only Fujitsu could execute
- An expansion of the migration scope assigned to POL IT Integration Engineering within the Application Modernisation work-stream.

The Board **APPROVED** a drawdown of [IRRELEVANT] (CAPEX) to fund activity until end November 2021.

8. Finance

8.1 Financial Performance Report and FY21/22 Mid-Year (6+6) Financial Forecast

Al Cameron provided a summary of the trading position. We had recruited additional people to help with the movement of extra cash and were thinking ahead to how much excess cash there might be in branches over the Christmas period. We usually sought an extension of [IRRELEVANT] in the headroom facility over the peak trading period.

Max Jacobi described the trends we were seeing over a one year and a two year period. The position with Mails, and the declining volumes here, were over a 1 year period. The decline in travel products was over a two year period, particularly affecting Mains branches. We had also looked at regionality and the more urban the branch, the worse affected it was, which was the position with other retailers as well. Elliot Jacobs noted that this analysis chimed with his experience.

The most significant issue we faced was the decline in Mails revenue; this was not a consequence of MDA2, it was a decline in volume.

AC noted that we were fully committed to achieving a [IRRELEVANT] profit target but needed to get the remaining cost reductions approved at GE and this would involve a series of measures.

The drivers for the additional change spend costs were set out but we were [IRRELEVANT] underspent year-to-date. We were trying to reduce the activity level in the business. AC described what we might pause, if, as we anticipated, our funding was less than requested.

A number of points were raised and addressed, including:

- Ken McCall noted that cash and how we organised ourselves over this Christmas period would be critical and we would need to focus on the branches where we knew there was greatest risk. AC agreed and it was an increased risk because of the higher volume of cash. EJ noted that POL had dropped the number of pick-ups during Covid and this did not appear to have returned to previous levels. AC reported that there was [IRRELEVANT] additional cash in branches but we were arranging additional pick-ups where there were particular risks; however, doing this across the network would require additional vans and this had a 12 month lead time. KM asked about using a third party supplier and AC reported that we were looking at the additional risks associated with doing this
- Carla Stent asked about security headroom. AC reported that we would be coming back to the Board with the 2021/22 budget in November 2021 but if this were not approved, releasing the [IRRELEVANT] payment from BEIS, that would start affecting headroom



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

Lisa Harrington left the meeting.

- Cathy Mayor described the construct of the Bank of Ireland contract and the reasons for outperformance. We thought that there would be an additional [IRRELEVANT] and potentially a further [IRRELEVANT] during the year. Tim Parker noted that the outlook on interest rates might also improve the position. Tom Cooper asked about the size of the book by 2023 and whether it could be transferable to someone else. AC reported that we would have smaller books which were better matched but not completely matched. AC would ask Owen Woodley for an update on this. AC added that it would be a substantial piece of work if we wanted to bring in a new banking partner
- CM reported that we were still operating at 80% of pre-Covid levels for travel insurance but that this was strong relative to budget
- AC reported that we would hear about the funding settlement position on 27th October 2021. There would be a lot of hard questions if the funding were substantially less than the request. We were meeting HM Treasury on 3rd November 2021 to discuss the compensation claims costs for historical matters¹. We needed to reach agreement on what would happen where we had to go to court and did not want to be incentivised for settling where this the case. The Postmaster Detriment paper would be discussed later in the meeting and was a very complex issue involving many different elements. An ARC meeting would take place on 30th November 2021 and we needed to decide what provisions we needed to include. We would make a provision for periods of suspension as the clear direction in the Common Issues Judgment was that the liability existed. We did not know whether to make other provisions at the moment as the information we held was very limited. We had not requested funding for these areas of potential Postmaster detriment but had signalled the likely need for support with this and on workers' rights. We were not seeking to reopen the Historical Shortfall Scheme (HSS) but wanted to see if we could use some of the HSS money for Postmaster detriment. We were checking whether this was possible with Government. CS asked whether there would have to be a range for the provision for the HSS AC thought we would need to consider our disclosures carefully and maintain transparency
- AC reported that we would need to refresh the three year plan for 2023 -2025. We now faced inflationary pressures and the question of whether this was a short-term spike or not. However, it was clear that there were cost pressures for Postmasters with increases to the living wage, fuel costs and so forth. This was a Q4 issue but would be significant incrementally. Elliot Jacobs agreed that Postmasters were struggling with increasing costs and there would be particular pressures for less well performing branches
- AC noted that outperformance in the platform products was helpful as it supported the rest of the business but the real question was going to be the cost pressures coming through to Postmasters, how we could mitigate this risk and what we could afford to do. EJ noted that he thought we were underplaying the risk of churn given the "perfect storm" of issues and with automation not ameliorating the effect of these quickly enough. AC agreed that this would be the fundamental question for the Board discussion on budget in February 2022.

To do: AC

After discussion the Board **APPROVED** the budgeted trading profit for 2020/21 reverting to [IRRELEVANT] subject to full year validation.

Other issues

¹ POL met the costs of the management of the compensation schemes.



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

TP noted that he would like to come back to the drivers for the Mails business and whether there was anything else that we could and should be doing. The Mails Team should be creating the greatest commercial opportunities for the business.

EJ raised DMB franchising; he understood the reasons for postponement but it had cost implications for the business and he asked what the change costs versus the running costs would be. AC reported that the return was usually over a three year period. We were supportive of continuing to franchise DMBs but if we received less government funding that had a knock on effect for future years. We were trying to do too much and the business was buckling as a consequence. EJ asked if this was an interim position. AC thought that the position could be revisited and we had not tried to make these decisions yet. AC added that [REDACTED] and we had the Statutory Inquiry to prepare for so it could be a bad time to reactivate the DMB programme. TC reported that BEIS saw DMB franchising as the main priority after SPM, partly because it was something Post Office had experience of delivering. AC noted that he had received a different impression of BEIS's view on this issue but could understand that view from a purely financial position. TP noted that he was usually the principal advocate for completing DMB franchising but the funding settlement and the spend on Historical Matters would dictate the change spend available overall. What we could do to improve the position Postmasters is the short-term was also an important issue and some of our thinking on this might need to evolve.

EJ noted that the Statutory Inquiry was not an issue for our customers. CS observed that if POL did not engage with the Inquiry with due care and attention that position could change very quickly. AC added that we were focussed on the future and not confused on that point but there would be a point next year when significant senior management time was taken up with the Inquiry. The process for signing off our responses and preparation for the oral hearings would be arduous. KM noted that POL also had to focus on Belfast Exit and SPM.

8.2 Historical Matters Unit (HMU) Budget

Al Cameron reported that resolving the issues with the HMU budget was proving difficult and he was grateful to Ben Tidswell for his time. We had nearly reached a reasonable position with Peters & Peters but were looking for an additional £0.5m in savings and were trying to get them to reduce their administration costs. There was a disconnection currently in Herbert Smith Freehills (HSF) between their legal team and finance director. The latter would be working with us and we had brought in the KPMG team to help us build the assumption models we needed. AC would be meeting with BEIS about the budget on 16th November 2021.

Kathryn Sherratt reported that we were addressing the work on the HMU budget in two parts: 1) agreeing a reasonable budget for the rest of this year, and 2) determining a sensible position for the next 2-3 years. We had some sympathy with HSF because of the number of assumptions they were working with but those assumptions had to be clear. The budget position would change depending on the actual number of cases and the time taken to progress cases. We needed the budget to be intelligible and be able to test the assumptions. We would return to the Board in November 2021 to seek approvals.

Tim Parker asked if the budget included a significant amount of rate time. KS reported that the external legal teams were working at reduced rates. Ben Tidswell noted that most law firms were good at explaining their margins but HSF was quite opaque although from the headlines and charge out rate we could work this out. While a lot of activity was taking place, this was not always skilled activity. TP noted that we should be able to work out the fixed costs and the margin rate for individuals and work out rebate depending on the total figure. AC agreed with this, which was what we were trying to do and we were not paying HSF's invoices without the clarity we needed. BT added that the valuable



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

question for the overall number was how many of the activities actually needed to be done and whether they were being carried out efficiently. BT noted that HSF were unwilling to revisit these questions currently. TP noted that we would want a volume discount and also be able to incentivise the firms to make efficiencies.

BT observed that POL must be within HSF's top five clients next year so he had been surprised by lack of sophistication of their budgeting. TP thought we should be demanding an open book and working on how we could achieve a good deal for all parties. KM thought there should be an annual incentive to reduce costs on an open book basis. AC reported that all of these conversations were live but HSF but they had been taking two months to send us invoices. We had simplified the number of codes and were having working day 3 conversations. HSF were a commercial organisation so would be clear that they were making a profit but had been unable to prove why their costs had increased while pointing at the need to work with BEIS and various POL governance forums. Many matters had to go to the Historical Remediation Committee currently which was not easy with a two weekly meeting cycle. We would need to allow smaller decisions to be taken at executive level in the HMU.

AC noted that we had to be able to present the figures in a clear way and the final piece of negotiation would involve POL, UKGI and BEIS with HSF. Our legal spend would become public knowledge. BT agreed that we needed to have a set of numbers everyone understood, discuss margin and then volume discounts.

Tom Cooper noted that a new figure of £13m had been included for the costs for the Statutory Inquiry and asked how comfortable we were that number was reasonable. KS reported that we were not comfortable about this figure at the moment and this was why the translation exercise needed to take place. There was a range of c £5m. AC added that the picture should be much clearer in a few weeks' time and after the Statutory Inquiry meeting on 8th November 2021 when we should have a clearer picture of whether the timetable would be maintained, if there would rationalisation of the document disclosure sought, and the number of witnesses.

9. Postmaster Detriment

Dan Zinner introduced the paper. Five decisions were sought and these were set out, noting that some of these decisions could affect our accounting judgements. There were some decisions that would not be taken today and on which we would like to seek delegated authority from the Board to allow operational decisions to be taken on BAU issues.

DZ explained that there were three different types of potential detriment and that the Historical Shortfall Scheme (HSS) only applied to the HNG-X period and was a voluntary scheme. Post Office Limited's (POL) legal liabilities were explained. [REDACTED]

[REDACTED] However, the limited data available, for this, and for other areas of potential detriment, meant that we could not proactively pay for potential detriment, hence the recommendation that Postmasters applied to us if they thought they had suffered a detriment. The figures included in the paper represented the highest possible detriment sum.

The three types of potential detriment were:

- 1) Transactional detriment, including shortfalls (settle centrally for sums over £150 and repaid centrally for sums under £150m) and possible process detriment with ATMs. We would have to investigate specific cases to see what had happened
- 2) Suspension pay, where we were clear that we owed these sums to the individuals affected



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

- 3) Maintained error limits, which we could proactively repay as we had the data to allow us to do so.

Five options had been considered and these were described, as well as the reasons for ruling out certain options. The recommendation was to contact all current Postmasters and invite them to claim if they believed they had suffered detriment.

A number of points were raised and addressed, including:

- Elliot Jacobs noted that the approach proposed assumed that the Postmaster would have sufficient detail to be able to show that they had experienced detriment. How would a claim be made? DZ explained that we would be working through the detail of the rules and requirements for submitting claims by detriment type
- Carla Stent asked how we would advertise the website and how people would access it. DZ explained that we would write out to current Postmasters. We had not considered an advertising programme for former Postmasters but needed to work through these details and would also need a communications programme. Al Cameron noted that there was an argument for not advertising further given how heavily we had advertised the HSS. DZ noted that this was the current view but that alternative views would be welcomed. CS thought that this approach might look different to what we had done before, and while understanding the reasons for this, we needed to be as open and transparent as we could. DZ responded that we would look at targeting those more likely to have been affected
- Ben Tidswell asked to what extent were we duplicating the claims we had already sought through the HSS and if this was the same pool of people. It was confirmed that this could include some of the same individuals. BT asked why the view was that this was not effectively re-opening HSS and repeating the invitation to claim. Ben Foat explained that the invitation was to those not within the Scheme. BT thought that this would be telling people that there was another scheme but he struggled to see that this as not in effect re-opening the HSS. Tim Parker noted that he shared this concern and that most of the detriment was covered through being able to claim for shortfalls. EJ highlighted that some time periods had not been covered by the HSS. TP recognised this but thought that we would not be giving the impression that there was a new scheme. DZ noted that some areas of potential detriment had not been communicated but BT countered that those people who could have applied to the HSS should have applied to the HSS.

Action: DZ to consider

- Ken McCall noted that we had identified a group of people who had potentially suffered detriment who we had not identified previously. At what point could we say we had done the best we could do to demonstrate that we had discharged our duty of good faith? It was explained that this would be by addressing the elements of potential detriment that we had not addressed previously. TP added that there would need to be a communication to say that if you had suffered a detriment from the start of HNG-A onwards to apply to us but also stating that those affected in HNG-X should already have applied through the HSS or needed to be specific in their claim about particular categories of claim which had not been identified previously
- Tom Cooper asked whether the HSS had specified the types of detriment that could be claimed for and BF confirmed that it had not. DZ added that some applications had included detriment in relation to ATMs. TC noted that this strengthened his view that we should not reopen these issues



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

- Al Cameron asked by way of example, what we would do if a current Postmaster made a claim that related to HNG-A and HNG-X and what the ramifications of this would be. TC noted that the Board also needed advice on the 79 claimants who had missed the HSS deadline and how those claims should be treated. DZ reported that these claims would be picked up through BAU process
- TP asked whether we could be exaggerating the risks of re-opening the HSS and if we could we time limit this. BT explained that the default position was that a scheme would be time limited. If you were not in the scheme you kept your rights and you could choose how to exercise those rights but we could end up with a new scheme where the outcome could be more or less favourable than going through the HSS. If the HSS had operated correctly individuals had had the opportunity to apply but had not lost their rights if they had not done so. DZ noted that the issue here was that we had identified other areas of potential detriment. BT suggested that we communicate about those areas not yet addressed, notably, the HNG-A period and suspension pay. The 79 claimants who had missed the HSS deadline were in a slightly different position
- Nick Read asked whether we should have a scheme for all types of shortfall for HNG-A. BT thought that the position for HNG-A should be straightforward. TP noted that the HSS scheme had been driven by a computer system having been found not to be reliable. That position was not same for the HNG-A period
- EJ noted that some Postmasters would not understand or have thought of some things that had happened as detriment
- TP noted that there was a strong feeling that we should not re-open the HSS but it was not easy to suggest collectively how we should deal with potential detriment in HNG-A and communicate that. DZ advised that POL had a duty of good faith to communicate about areas of potential detriment to current Postmasters. DZ added that there was a distinction between readvertising matters that could have been claimed for through the HSS and dealing with new claims received. TP noted that criteria had to be agreed for assessing how we dealt with the 79 claimants who had missed the HSS deadline
- TC asked how we would deal with applications received, how each would be assessed on its merits and whether we would expect people to go to court. These were not easy questions. TC added that we did not have the funding in place for additional areas of potential detriment though the position should be straightforward for HNG-A. Approvals on these matters were contentious and would need to be taken through HM Treasury. TP asked whether we should start by making a lower provision but might require the government approvals if sums became higher. CS noted that advertising potential detriment in the HNG-A period might flush out new HNG-X claims. DZ noted that there would be different evidential requirements for HNG-A and HNG-X
- AC noted that POL had a liability for suspension periods and needed to start addressing this, at least for HNG-A. We would then have a provision that was not funded which was why we should be asking to repurpose some of the HSS money. £50m could be our "best guess" of the sum required today but this would be subject to the specific approvals TC had referenced. TP noted that he thought it hard to defend not paying suspension pay money before 2017. TC explained that even though a sum had been agreed for HSS it would not obviate the need to make the business case for the money being spent on other areas of potential detriment so this would not shortcut the approval process. TP noted that there was a direct and clear obligation for areas where we had the data and we had an obligation to pay these people but this would be offset if it had been claimed through the HSS
- TC noted that there would be a communications challenge because BEIS had seen the HSS as dealing with detriment matters for the HNG-X period while understanding that we had to deal with HNG-A and Postmasters who had been suspended without pay. AC reported that we were still trying to get our accounts signed off on a going concern



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

basis. TC queried whether this was not covered by the letter of support from Government. AC explained that this would be the first time we were making a specific provision in the accounts that was not funded. This could be covered by the letter of support but we would need to be clearer in our disclosures. There was a possibility that we might need to file our accounts late. CS asked whether this could be avoided by the HSS money being fungible. TC cautioned that this did not take away the requirement to complete the business case approval process. AC noted that we were not asking for permission to spend the money and recognised that this spend fell within the definition of "novel, contentious or repercussive" but at the moment we were only asking to be able to draw down the money if needed. TP thought we had to get a comfort letter and that we could not allow the accounts not to be signed by the filing deadline. We had to make the payments required and manage the consequences of doing so.

TP summarised the position: we had dealt with areas of detriment through the HSS but other elements of potential detriment had now been discovered which were either time specific and/or new issues. A paper should be brought back to the Board in November 2021 which set out proposals and criteria for dealing for HNG-A and suspension pay claims and for the 79 applicants to the HSS who had missed the Scheme deadline. The HSS should not be re-opened.

DZ summarised his understanding of the Board's instructions:

- 1) Any claim which could have been brought through the HSS should not be re-opened
- 2) Any new area of detriment should be communicated to Postmasters but only once the criteria for these claims had been approved by the Board and BEIS and the funding position was resolved. The position in relation to these potential claims should not be different for current and former Postmasters
- 3) The details of process and evidence requirements for these claims and the approach proposed for the 79 HSS claimants who had missed the Scheme deadline should come back to Board in November 2021 but the proposals would first be shared with the Historical Remediation Committee.

**Action: DZ/
BF**

10. Post Office Horizon IT Inquiry

Ben Foat introduced Andrew Lidbetter from HSF who was supporting POL with its Statutory Inquiry work. BF reported that we had appointed an interim Inquiry Director.

The aims for the Inquiry work were to engage with the process helpfully, achieve resolution of the historical matters and have a remediation plan in place. We needed to investigate the backward focussed areas of the Inquiry's work now that its scope had extended. We were seeking delegated authority for the Inquiry SteerCo (CEO, CFO, General Counsel and Group Corporate Affairs, Brand and Communications Director) to take decisions on operational matters.

BF set out the next steps and the issues that were likely to be covered in the Inquiry hearing on 8th November 2021. We had engaged proactively with Counsel from the Inquiry. The oral hearings were now likely to be in April 2022 and would deal with core areas.

A number of issues were raised and addressed:

- Tom Cooper asked about the status of the disclosure exercise. BF explained that work had started on this as soon as we had received the Terms of Reference for the Inquiry. We had been working on the 184 Inquiry questions over the last month. We had 11 document repositories which were linked to current and previous employees. This work was due to be completed by the end of the month. Andrew Lidbetter explained that the disclosure requirements were to some extent in the hands of the Inquiry



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

Chairman who could set the timetable. There were potentially 25 million disclosable documents. The timescales would depend on how the scope of these matters was defined and the degree of focus on particular issues. Hearings by modular topic would take place from April to June 2022 with only a small gap in between sessions. We hoped to get more clarity on the process at the hearing on 8th November 2021. The Inquiry Team might also decide to bolster their resources by getting in junior counsel

- Zarin Patel asked about waiving legal privilege. BF reported that we would come back on that issue after the hearing on 8th November 2021. Our previous recommendation had been to disclose on a limited waiver basis, however, our discussions with the Inquiry Team suggested that this would probably not allow the Inquiry to communicate what they had viewed. [REDACTED]

[REDACTED] There were pros and cons with different approaches. We also needed to consider things like messages communicated via email. Al Cameron thought this was very difficult issue and we could quickly lose control of privilege. This was an issue for our Shareholder as well

- ZP noted that sometimes it was necessary to speak to a person who had been involved at the time to understand what had actually happened and documents alone were not sufficient. BF noted that we had taken a view not to interview former employees while the criminal cases were ongoing. We would come back on this issue when we had the list of previous employees linked to the Inquiry questions
- Tim Parker noted that most of the activity in question related to a period of time when POL was part of the Royal Mail Group and we should flag this early on and that RMG people needed to cooperate. BF agreed but this should not be done in a way which could be perceived to be not taking responsibility for what had happened. KM noted that that position needed to be transparent given RMG's overarching responsibility during much of the period of the prosecutions. TP added that POL had borne the whole responsibility for the historical matters to date. Al Cameron noted that the Inquiry would be asking us for documents where some documents would be owned by RMG. BF noted that this issue could be discussed further with the Board as part of the legal privilege conversations. TC noted that the gap analysis proposed would show which documents POL could provide and which RMG would have to provide.

Carla Stent left the meeting.

- TC thought it useful to highlight the areas where there were likely to be strategic questions for the Board, for example, what should be included in our opening statement? On the issue of deep versus shallow dives there was a danger of spending a lot of time doing things that were not worthwhile and entailed resource. TC asked whether we should we pause this work until we knew how the Inquiry was going to organise itself. BF thought that we would continue to learn more about how the Inquiry would operate and their areas of focus over time
- TP noted that it would be important to strike the right note. We needed to be clear where things might have gone wrong and where people were at the time. We needed to set out clearly the initiatives we were taking and what we had accepted had been wrong without reservation, what we were doing to address this now and what we would be doing the future. Nick Read added that the Inquiry would be asking people who had been involved at the time what had happened and they wanted to know from us why it could not happen again.

Andrew Lidbetter left the meeting.

TP asked about the Inquiry workload and whether too much was resting with Alan Watt. BF explained that AW and his team were not involved in the Inquiry work but nevertheless had a lot of work to cover. AW was well supported by Kate Emmanuel and had a broader



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

team reporting to him. There was capacity and capability in the team but there were some challenges with the finance issues. BF added that Andrew Lidbetter and his team had extensive experience of inquiries. Ben Tidswell noted that we should make sure that there was not an over concentration of activity with AW and his team. TC thought that AW should be able to step back from the HSS work once the principles had been agreed. There was a question of whether the claims work could be dispersed more. BT thought there was merit in resolving this year's budget and then resetting for the following years. BF added that there was scope to use Norton Rose Fulbright more.

The Board:

- **NOTED** the immediate next steps
- **APPROVED** the Proposed Delegated Authorities from Board to the Inquiry SteerCo
- **NOTED** the preparations for the 8 November Hearing on the Provisional List of Issues.

11. Noting and governance items

11.1 Health and Safety Report

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

11.2 Historical Matters Programme Update

The Historical Matters Programme Update was **NOTED**.

11.3 Sealings

The Board **APPROVED** the affixing of the Common Seal of the Company to the documents set out against items number 2082 and 2087 in the seal register.

11.4 Future Meeting Dates

The future meeting dates were **NOTED**.

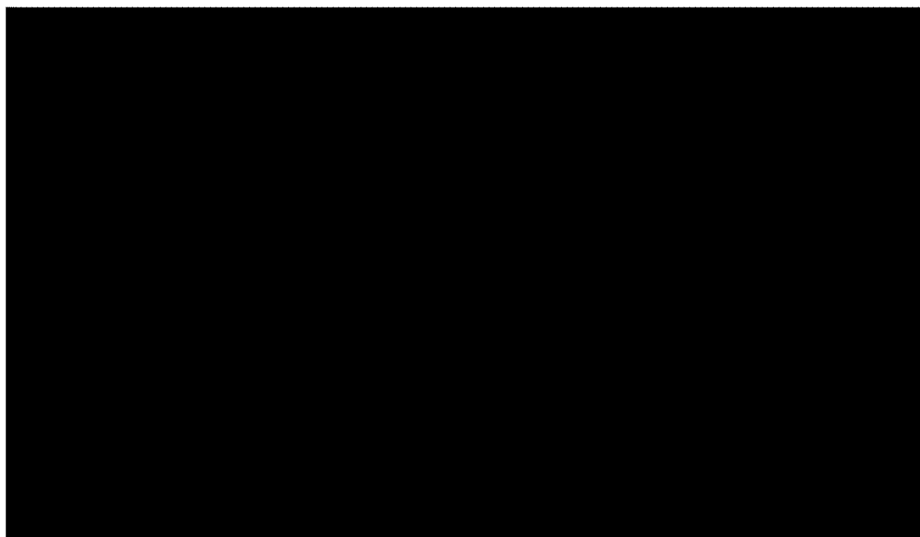
11.5 Forward Agenda

The Forward Agenda was **NOTED**.

12. Any Other Business

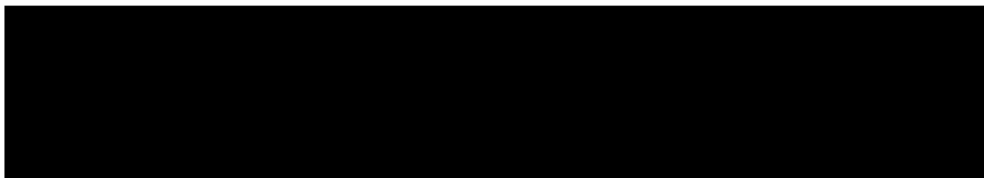
Subject to legal privilege

Starling





POST OFFICE LIMITED BOARD MEETING
Strictly Confidential



TC explained that a letter was being produced setting out what BEIS would like to be covered in the third legal opinion. Tim Parker suggested that we wait until the letter was received from BEIS and then seek the decision from the Board on obtaining and funding the legal opinion.

There being no other business the Chairman declared the meeting closed at 3:30 pm.

13. Date of next scheduled meeting

30th November 2021.

Tim Parker

Chairman

17/02/2022 09:36

Voting Results for Board Minutes from 26.10.2021 (approved on 30.11.2021)

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	17/02/2022 09:36