



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

MINUTES OF A MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON TUESDAY 01 NOVEMBER 2022 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 10:00 AM

Present:	Ben Tidswell	Chairman (Chair)
	Tom Cooper	Non-Executive Director (TC)
	Carla Stent	Non-Executive Director (CS)
	Zarin Patel	Senior Independent Director (ZP)
	Lisa Harrington	Non-Executive Director (LH)
	Saf Ismail	Non-Executive Director (SI)
	Elliot Jacobs	Non-Executive Director (EJ) (Joined at 10:11)
	Brian Gaunt	Non-Executive Director (BG)
	Nick Read	Group Chief Executive Officer (NR)
	Alisdair Cameron	Group Chief Finance Officer (AC)
In attendance:	Rachel Scarrabelotti	Company Secretary (RS)
	Tim McInnes	Strategy and Transformation Director (TM)
	Zdravko Mladenov	Group Chief Digital and Information Officer (ZM)
	Ben Foat	Group General Counsel (BF)
	Simon Recaldin	Historical Matters Director (SR)
Apologies:	N/A	

Action

1. Welcome and Conflicts of Interest

A quorum being present, the Chairman opened the meeting. The Chairman called for the Directors to disclose any conflicts of interest. 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

TABLED and **NOTED** were draft Minutes from the Board Meeting of 27 September 2022. Subject to the incorporation of the comments provided by LH, the Board **RESOLVED** that the Minutes of the Meetings held on 27 September 2022 be **APPROVED** as a correct record of the Meeting and be signed by the Chair.

The Board **NOTED** the action log and status of the actions shown. The Chair called for comments on the action log. Matters raised were as follows:

- SI commented on the action numbered 18 in the action log, noting that M Roberts had spoken to the corresponding Area Manager however SI was not aware of any further follow up activity. SI advised that the use of the equivalent of Christmas seasonal helpers could assist Postmasters when they had peak distribution periods such as had occurred in relation to BRP cards. NR replied that the Company was providing Christmas helpers for peak this year. SI advised that no Area Managers were aware of the increased numbers in respect of the distribution of BRP cards. **ACTION** NR advised that he would revisit this issue with M Roberts;
- SI spoke to item 14 of the action log in relation to paper bags and expressed disappointment that this item had been closed. SI shared his view that the Company should have been pursuing this as an option;

NR/ M
Roberts



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- SI raised point 2 on the action log and advised that he was disappointed with progress on this item. SI advised that he had raised this matter with J Smyth originally in February 2022, and whilst J Smyth had assisted on this, the matter had now been passed on. SI advised that he was waiting for email correspondence in relation to this matter. **ACTION** The Chairman requested that SI and NR follow up after the meeting and provide a further update on the status of this item; NR/SI
- **ACTION** CS requested that actions 1 and 8 be left open, so as to ensure consistency in the way items were treated. The Chair requested that RS attend to this; RS
- TC raised action item 4 in relation to Phase 3 HIJ deliverables and queried the status. NR replied that the issue was that the Company did not have sufficient funds to attend to all HIJ items, and a decision would need to be taken as to which of the remaining elements were completed and to what degree. NR noted that with the Inquiry commencing the focus would be on improvements made to Horizon, so management were looking to identify funds in relation to this. In any event management needed to bring a plan to the Board for recommendation, setting out within our current funding constraints what we could realistically achieve by the time we reached Phase 7 of the Inquiry. TC advised that he was concerned that if funds were diverted for HIJ activities that this would take money from, for example, NBIT, and both projects are vital. TC further advised that BEIS did not have sufficient visibility on this. NR asked for clarification as to what. TC replied in relation to HIJ deliverables and advised that the Company needed to provide BEIS with visibility.

NR advised that the Company needed to recontract with BEIS; we could not deliver as against the expectations of BEIS, and we needed to be clear on what we could deliver. NR further advised that awareness across the Board as to what could be achieved was required and that there were going to be some tough choices come December. NR stated that given the financial constraints currently, he did not think management could devise a plan they would be prepared to execute. TC replied that he was on the same theme, and that this would take a while to permeate with BEIS. We needed visibility at Board level, so we could commence discussions with BEIS. CS queried how we could have a pivotal conversation with the shareholder so the Board could reach a conclusion and noted that we did not have the luxury of time. The Chair agreed with this and noted that this was the conversation that the Directors wanted to have at Board today. In relation to the HIJ elements where money was allocated to address issues, the Chair queried whether this allocation would result in the issues that most affected Postmaster's being attended to. NR replied in the affirmative, however the proposed allocation of money was also to cover wider recommendations in the judgment, and that a proposal would need to come back to Board.

LH noted that the Company was investing heavily in NBIT, and that there would come a time when fixing issues on Horizon was no longer of utility. The Chair took this point; we could explain to the Inquiry that we had not undertaken certain work on Horizon, because we were correcting the issue on NBIT. AC shared his view that the Inquiry was a red herring so far as the conversation was concerned, and that this was a fiscal problem, specifically the constrained amount of money in the change plan. LH advised that she did not agree with this assessment. TC advised that he had thought that there were issues with Fujitsu and their capacity to deliver further changes on Horizon. The Chair drew the discussion to a close advising that Phase 3 HIJ deliverables was down as an item for consideration at the



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December Board and suggested that the matter be discussed then, although commented that a decision paper might be brought rather than a noting paper. TC advised that he did not see the paper as a decision paper, TC wished to know what the position was currently on the Phase 3 HIJ deliverables. CS advised that there was a list of all the HIJ actions, along with detail as to how things had progressed, and what was proposed to be attended to and what was not. Looking at this as against the 3YP, there would be budget required to have all these items completed, which went to AC's point as to the amount of budget required to deliver these.

The Chair called for any further comments on the actions log. There were no further questions.

3. Committee Reports (verbal)

3.1 Historical Remediation Committee

The Chair, in his capacity as Chair of the Historical Remediation Committee (HRC), proceeded to provide an update to the Board on the work of the HRC and referenced the HMU update paper provided in the Board pack. Key discussion points were as follows:

- The Chair advised that settling on the appropriate OHC compensation process was difficult, and it was taking the HMU team time to resolve. The issue had been considered by HRC a few times, however HRC were hopeful that they would receive a paper on this, this month, so the matter could be brought to the December Board meeting. This was against the background of some good progress on existing claims, especially with non-pecuniary amounts. However, if a change was going to be made from a negotiated to a remediated solution we needed to get on and do this, so we did not end up with a more complicated transition;
- The other point the Chair wished to touch on was detriment. Funding for Pot A detriment (suspensions) had been confirmed yesterday by government. In relation to Pot B detriment the HMU team had a plan as to how they were going to approach funding, which was likely to be seeking funding for identified parts of Pot B, a few at a time. This issue would be brought back to the Board once the approach was settled;

Confidential: discussion of legally privileged advice

- [REDACTED]
- The HRC had asked for more detailed information on the position of those Postmasters currently making repayments. ZP noted that the sample investigations conducted showed that payments in approximately 60 – 70% of cases related to clear evidence of liability on the part of the Postmaster. AC contributed that he thought there was some nervousness around speaking to the Postmasters affected; at the end of the day, we were still accepting payments although we had not undertaken a contemporaneous investigation and AC's view was that we had to stop. [REDACTED]
[REDACTED] AC advised that this matter needed to be returned to the December Board. The Chair advised that we all knew that we needed to deal with this, however the problem was how. [REDACTED]
[REDACTED] The



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problem was, what did we say to Postmasters who were making payments and who had made payments. This created a serious risk of crystallising large unfunded liabilities for POL. The HRC had not been satisfied that this risk was adequately managed by the proposals to date on how it would be communicated. The Chair shared his view that he thought that perhaps there was a path through now though and referenced the earlier proposed funding approach. AC reiterated his view. The Chair replied by outlining his assessment of the risks. CS queried whether the Postmasters in question would have the ability to make a claim via another scheme. TC replied that there was no scheme for losses after 2017, so they would not. The Chair advised that the view of HRC was that we needed to get to the bottom of the detriment channels then we could progress; we could not otherwise reach any conclusions on the liability issue. The Chair noted that AC had made his point very clearly and consistently and agreed that the matter needed to be brought back to the December Board. NR queried what we were going to achieve between now and December. The Chair advised that the HRC had asked SR to prepare a paper bringing all the strands of the issue together. NR queried whether we were still investigating. The Chair replied that his understanding was the Company investigations into individual payees were continuing. EJ queried whether Postmasters were paying the Company, or whether the Company was deducting monies from Postmasters; the answer would put a different complexion on things. **ACTION** The Chair advised that he would ask this question of the HMU team;

Chair

- In relation to the dispute button on Horizon, TC noted that the paper in the Board pack seemed to suggest that losses were not going to be dealt with after a certain time in the current manner; we needed to be clear about what we were going to do about Postmasters who owed the Company money. We could not write these losses off; however, we could not roll these into NBIT. AC advised that he had spent a couple of days with the team in Chesterfield talking about Postmaster losses following on from the losses from August which were significantly larger than the prior run rate, and which in September were also above average. In the case of disputes raised by Postmasters about losses, the Chesterfield team would instigate an investigation, and where they were satisfied that Postmasters owed the Company money, they would request them to pay back the money and generally Postmasters repaid the money. There appeared to be only a few cases where Postmaster's refused to repay the money, and the value of these cases was circa £150k. Where the Company really lost money however was that cases were investigated only where the team thought that they had a reasonable chance of reaching a conclusion, so, for example, they would not investigate cases from years ago. This was deeply uncomfortable. In terms of whether Postmasters were actually repaying, the answer that AC received was that we did not know, the team did not have the data. AC would return to this in relation to the 3YP. The team would continue to investigate what they could, however the data was very poor;
- There was another issue that AC wished to raise in relation to the 3YP, which was highly confidential. In terms of the NBIT rollout, we would start slow and increase Postmaster confidence, then roll out to about 50 – 100 branches a day. We needed a clean start to build confidence in NBIT and to do that we needed to have clean opening balances. What we had agreed was that an employee from the Company would be present on the day each branch transitioned, and count the cash, stamps and lottery tickets and that would be the starting position in NBIT. AC advised that the wrinkle in this was that it did not allow for the few weeks which it might take to resolve transaction corrections. What this meant effectively



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was that any difference on Horizon would be crystallised at the point of switch to NBIT. AC further advised that whilst the Company provided against losses in theory, and the transition to NBIT should not be very different from the usual approach applied to losses, he was concerned about the potential size of the provision. AC noted in passing that he had been told, anecdotally that when Horizon was updated in 2006 approximately £20m had been written off, benefiting Postmasters. This was a passing remark many years later and had not been evidenced. In terms of differences when we transitioned to NBIT this would essentially be made up of 3 items. The first of these would be credits to Postmasters and we would pay these. The second would be losses; we could investigate and send to law enforcement as appropriate. Thirdly, for the small losses, these were a difficult category given investigations took time and resource. AC advised that in the draft 3YP management were suggesting the small losses be written off, although AC anticipated that this proposal would be tested and challenged by HMT. CS pointed out that the proposed approach gave rise to an accounting issue and that this could be a challenge in the accounts. TC contributed that the approach raised funding issues also, as well as potentially communication problems, given all the efforts to remediate the past. AC replied that the Company currently did not investigate debit differences where it was thought we did not have a reasonable prospect of successfully recouping monies. We provided for Postmaster losses otherwise after 60 days. EJ spoke to the Postmaster loss process and the use of the dispute button. AC advised that once the dispute button had been activated that the item moved off a Postmaster's account and went for resolution. The Postmaster was supposed to speak to the call centre at this point. What a lot of Postmasters were doing was then not taking calls from the call centre. AC shared his view that this was not an acceptable balance between the franchisor and franchisee and suggested that if Postmasters did not engage and speak with us, then the dispute should be pushed back to the Postmaster. AC queried whether Postmaster's should speak to the call centre first, then the call centre could log the dispute;

- On the issue of call centres, SI advised that he had pressed the dispute button then had been unable to get through. **ACTION** SI expressed his disappointment and questioned whether the call centres could be open later, when Postmasters may have more time to deal with these sorts of issues. **ACTION** SI also asked if categorisation was possible when a dispute was raised. AC agreed that this would be useful and advised that M Parks had joined as Central Operations Director, who would provide intellectual leadership in the team and assist with the data. ZP noted the reference to the Retail team however shared her view that these areas were equally pertinent to finance as they were entwined with accounting. AC took the point and advised that he would continue to stay on the pitch, however the teams who undertook the work did not report to AC;
- CS queried whether the dispute button was stopping us from moving forward, and whether it might help us to turn this off. AC advised that this would require the Company to hire people however this was difficult given we were stating that we needed to take costs out. Most of the work management were going to be undertaking between now and the December Board was going to be working out where we were prepared to accept the consequences of proposed decisions and where we were not. Of course, there were many things that the Company could be doing, however these additional items were all unbudgeted, so we could not;
- TC noted that one of the consequences of this discussion could be striking the right balance between the Company and Postmasters, and noted that the onus of proof could move back to Postmasters after the introduction of NBIT;

M Roberts

M Roberts



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- EJ advised that the Company needed to give Postmasters better data to analyse; it was impossible to analyse anything from Horizon;
- TC observed that if the business could not function like a normal business on NBIT and the basis of the current contracts we needed to recontract with our Postmasters. AC advised that this had been discussed many times. NR noted that we had 69 different types of Postmaster contract in the network at present, due to flexibility having been given to broker different deals on the ground. In interpreting the CIJ and HIJ we went through the thought process of amending contracts. We now found ourselves in the position that we needed to recontract with Postmasters so as to be the business that we wanted to be. We are not going to be able to do this by 2025. We were de-scoping NBIT because we were time bound by March 2025. We are getting off Horizon, as opposed to delivering a swish new system.

3.2 Nominations Committee

The Chair invited LH to provide an update on the work of the Nominations Committee.

LH advised as follows:

- A recruitment campaign had been launched seeking 3 new NEDS. The first priority was to find a candidate to succeed CS as ARC Chair;
- The recruitment process had not been easy so far. In terms of the Evaluation Panel, we had secured an independent assessor, and ZP would sit as a panel member. Unfortunately, SI would not make the first session of the Evaluation Panel, although there were further sessions coming up which SI could contribute to;
- In terms of the skillsets sought, we needed accounting, financial services, retail, technology and business improvement. A suitably experienced candidate was also required to be appointed as Remco Chair. In addition, we were seeking a diverse longlist of candidates;
- The candidate list so far was a little underwhelming, perhaps due to brand issues. We had been transparent regarding time commitments;
- The incoming Chair H Staunton was invested and contributing to the process;
- The advertising for the roles was live;
- The Deadline we were trying to hit was to secure shareholder approval to appoint an ARC Chair this side of Christmas. ZM queried whether the appointment would need to go to No. 10. TC replied that it should be a decision for the Secretary of State.

3.3 Remuneration Committee

The Chair invited LH to provide an update on the work of the Remuneration Committee.

LH advised that retrospective shareholder approval for executive director payments that were made in August 2022 under the STIP and LTIP remained outstanding, so the DRR could not be laid in Parliament at present. TC noted there had been a very positive meeting with the Permanent Secretary on this matter.

LH further advised that the Remuneration Committee had been considering benchmarking, and that the Committee were looking to approve a position on this.



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4. CEO Report

TABLED and **NOTED** was the CEO report.

Key points detailed by NR were as follows:

- NR had advised at the QSM yesterday that the Company had had a great H1, based on all the metrics one would typically look at;
- However, our Mails business remained under pressure, and we were mobilising more quickly to determine our response;
- We had had a significant reaction from our customers on the RMG strikes. A lot of suppliers were delisting RMG and taking their business elsewhere. The losses that we were experiencing in terms of revenue were quite material and average footfall was declining. BG noted that the move to alternative suppliers would extend beyond Christmas as well, as suppliers were entering into 6-month contracts;
- Our revenue losses from the RMG industrial action were balanced against the strong performance of our other business products, and we had been able to balance given the Company's diverse product offering. Banking was doing well, as was travel. From a current trading perspective it felt relatively good;
- Branch churn was at its lowest levels since separation;
- We had reached over one hundred Drop & Gos;
- McColl's were anticipated to announce later today which parts of the estate would not be retained, and this included closing approximately 30 Post Offices. In terms of how we would address this, we were not proposing to replace these branches with full Post Offices: we needed to send a message to BEIS that we could not afford to continue replacing branches. We had prepared a response in anticipation of the McColl's announcement which was along the lines that we were going to do our best however we could not agree a like for like replacement. That said, we did not want these branches to close ahead of Christmas, so the expectation was that McColl's would announce that these branches would stay open until the end of January. These branch closures provided us with an opportunity to do something different. **ACTION** By the time the Board reconvened in December we would have a plan detailing how we were going to approach this issue;
- We had performed reasonably in relation to our costs. A recruitment ban had been initiated and we were not replacing departing employees;
- In terms of progress against our strategic priorities:
 - improving branch profitability – changes to Postmaster remuneration had been announced earlier in the year in August and these had been well received. The Postmaster Business Update was scheduled for 10 November. As to whether we were proposing to provide Postmasters with additional remuneration, we were not. The Update would include details in respect of H1 performance and anticipated developments over the next 6 months. We needed to be realistic as to what could be achieved and as to what the Company could afford;
 - Transforming technology – phase 1 of the NBIT pilot was operating. NR remained anxious about descoping. Some issues had been highlighted via the pilot; however, this was the whole purpose of the exercise;
 - Rebuilding trust – we had hit 90% of offers issued for HSS for the end of October. NR had met with Ms J Hamilton a few weeks ago, to thank her for

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her resilience. NR had spoken to Dr Hudgell as well, with whom we had a good rapport, and who seemed pragmatic and sensible;

- The wider economic headwinds were material. Heading into Christmas and peak, the RMG industrial action was still scheduled for Saturday week and Monday and the cost-of-living crisis would likely dampen Christmas;
- NR had spoken with S Thompson of RMG; it seemed like a race to the bottom with RMG very dug in on their position; they seemed not to be concerned about the effects on the Company. NR had spent some time with the brokers for RMG last week to discuss what they saw as the end game. Their view was that GLS would not be divested however they did see this as part of the debate, along with the USO and the industrial action. Royal Mail could potentially give some ground to the unions if there was some movement on the USO, such as going down from 6 days to 4 for example. NR was deeply troubled that many of our customers would walk; we needed to get off being a mono carrier. We are going to do an Evri trial before Christmas, and a Doodle trial as well. We did not have enough bandwidth to deal easily with all of this: dealing with the anticipated industrial action and peak at the same time as trialling these we would have our hands full;
- In terms of the Inquiry, one of NR's key take aways was that the culture of the business was going to be under scrutiny. Sir Wyn's intervention in respect of compensation was quite helpful. ZM and J Smyth had attended the Inquiry hearings last week, to listen to the Inquiry's expert witness on IT. The experience was very sobering for ZM and J Smyth. The roll out of NBIT was of great interest to the Inquiry, and the Inquiry would want to know how the new system was procured, how it was planned to roll it out, what training would be provided to Postmasters, and what the Company was putting in place so that this was not a repeat of Horizon. ZM and M Roberts had realised that the bar set was incredibly high. We could not behave like an ordinary Plc undertaking technology transformation; we would be in the middle of Phase 7 of the Inquiry during the roll out of NBIT. We had invested in changes to Horizon however the fact that we had not achieved change in certain areas would not be acceptable;
- As to what was keeping him awake at night; it was the Mails business and the squeeze on Postmaster remuneration. **ACTION** We would write to the Chancellor again on vulnerable business status; Post Office were managing the energy vouchers, we were the business hosting the pop ups with British Gas, so there was a strong case for vulnerable business status;
- We needed to determine what needed to be in place come 1 September 2023 when Phase 7 of the Inquiry commenced. We needed to consider also what we wanted to have achieved and be in a position to say, on 8 December at the Inquiry Compensation hearing. Similarly in relation to Phase 6 of the Inquiry, we needed to determine what precisely it was that we needed to have achieved by this point. This was that so as a Board we could all stand behind the fixes;
- We needed to get better on our operational management of the Inquiry and how we adjusted as we went through the next 12 months;
- All Board members were encouraged to attend. CS shared her experience of attending the Inquiry; whilst the content was familiar it did bring it to life in a tangible way. In relation to what we wanted to achieve and say in Phase 7, we did need to be conscious to make things simple so the Inquiry could understand. NR agreed with this, and advised that Sir Wyn would be asked to engage via activities such as visiting the model office, so Sir Wyn could see what actually doing;
- Our leading counsel at the Inquiry K Gallafent KC had emphasised that we were here to listen, as well as being physically here, and here to engage. NR had committed to visit any Postmaster who had been through the compensation

NR



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process. CS shared that the main item that came out for CS from attending the Inquiry hearings was the focus on the future, not just the past. CS noted that a lot of the Inquiry hearings were taking part with Sir Wyn on camera as opposed to being physically present and felt that this was not desirable. NR agreed and advised that feedback on this had been provided to the Permanent Secretary. LH advised that she was less concerned about Sir Wyn residing at the Inquiry in a virtual capacity, however felt that the commencement of the Inquiry hearings was really affecting some of our executives. LH also noted that she was struck by how little public interest there was in the Inquiry, although there was a lot of other news at present. EJ referenced statements that the Company's reputation rested on how we performed in the Inquiry; EJ advised that he did not think that this was necessarily true, the Inquiry might affect us as a business, however the public were indifferent;

- BEIS were looking backwards and conversations with the shareholder were all around compensation and the Inquiry, as opposed to the network today. EJ shared his concerns that by focusing too much on the past and not enough on the future that we could find ourselves in decline. CS shared her view that the Inquiry presented an opportunity to bring the past and present together and pointed out that the Inquiry was also about the future. TC agreed with NR that conversations with the shareholder were all backwards looking and focused on funding. TC referenced the concerns that people had had ahead of the CIJ in respect of the functioning of Horizon and shared his view that as a Board we needed to focus on NBIT and being in a position where we could say that NBIT was a robust functional system. TC was pleased to hear that NR was working to have a list of items that we needed to have achieved against so we would clear as to what we wished to communicate going into Phases 6 and 7 of the Inquiry. TC noted that we had an opportunity to be positively helpful to the Inquiry; there were 2 fundamental approaches, the first of these being reactive, or the second approach to facilitate which provided an opportunity to build our reputation in the wider world. The Board needed to take a decision as to the approach. NR replied that he did not think that there was any question of the approach required and referenced CS' comments on the Inquiry being also future focused. Sir Wyn would focus on the Post Office of today, and whether it was sustainable. EJ shared his view that he thought Board members were all aligned on this approach, however the future needed to be funded. Currently there were no further announcements in respect of remuneration for Postmasters; this was challenging, it was the front line that was getting hit the hardest and if we were going to fix the future then we need to fix the front line. CS noted this and shared her view that we needed to go back to the shareholder and outline what was required. TC agreed and noted that we needed to have a very dispassionate conversation with BEIS about what could and what could not be achieved. CS replied that she thought we needed to be really firm on what it would mean if we could not deliver on what we had to. NR agreed and advised that we simply could not continue on in the current state; the executive simply would not manage if the Company was not going to be properly funded in order to manage. Management were working tirelessly on the 3YP, however within the current funding envelope we had, we could not see how the circle could be squared. NR advised that there had been very sensible conversation on this with the Permanent Secretary. The Chair shared his view, that following on from the QSM we would need to establish each next logical step in the dialogue with our shareholder, and expect those to be tested.



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The Chair called for questions for NR. ZP commented that she would encourage the Company to consider engaging their own IT expert for the Inquiry. NR replied that we had. LH shared her view that some of the decisions did not feel binary enough at present, for example if the funding position meant it was a significantly smaller network required then that is what we needed to decide and deliver. LH further shared that she did not think the Company was going to receive any further funding.

SI advised that he had a question on numbered item 8 of the CEO Report, as to the plan and timing for future roll out. NR referenced the Amazon Return pilot; if this was successful then it would be rolled out to the rest of the estate on the basis as set out in the Report.

SI raised numbered item 11 of the CEO Report in relation to implementing a Tracked 24 and 48 service in-branch in time for the new financial year and queried how we were going to communicate this to the network. NR advised that he did not know at present, and that we were working through this with RMG at the operational level.

SI referenced numbered item 22 of the CEO Report, in relation to passports being down, and queried whether there was a reason why customers would come in for their passports. NR replied that he did not think that we could read too much into what had happened this year with passports.

In relation to numbered item 26 of the CEO Report, SI queried the locations of the Drop and Collects mentioned, and whether these were in response to branch closures or in response to an identified opportunity. NR replied that in relation to cannibalisation we were taking quite a robust approach. **ACTION** SI requested a high-level overview either quarterly or every 6 months detailing changes in format in the network. NR replied that he would ask M Roberts to liaise with SI in this regard.

M Roberts

On point 35 in relation to Postmaster remuneration, SI expressed his disappointment and advised that he had understood that there would be some improvement on Postmaster remuneration. NR replied that the commitment had been that Postmaster remuneration would be reviewed at this point, not that it would be improved. Whilst there was the possibility that we signalled to Postmasters that we wanted to share in the profitability for the end of the year, we were unable to do this at present, given the headwinds, and as we went into conversations with BEIS. SI shared his view that this would make the Voice of the Postmaster group much stronger. NR took the point and replied that he knew that we had to face into this and that the Postmaster Business Update on 10 November was likely to be difficult.

5. Finance

5.1 Financial Performance Report

TABLED and **NOTED** was a report, 'P6 – Performance Overview'.

AC spoke to the Report, noting that NR had covered P6 Performance so AC would not cover this further:

- Branch numbers were better now than at any time since separation. This gave us some flexibility and we would look to close some loss-making branches where this would not affect the access criteria;



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- On security headroom, we were in a much better position than where we thought we would be, however this appeared temporary and reversing. This position was expected to continue for a while, however, not long enough to take us through next year. On energy pay-outs – we are being given cash; however, the pay-out was effected via a noncash transaction, so we then return the equivalent cash. NR noted the press yesterday due to the transactions level being so low, with only circa 60% of claims having been made. EJ advised that he thought that some of this was because customers did not bring in the correct information in order to claim the pay-out.

5.2 FY22/23 Budget Review (Verbal Update)

AC advised as follows:

- By the time we accounted for Postmaster remuneration and the additional Postmaster remuneration announced in August, we anticipated that we would be IRRELEVANT better off as against the budget, we were now anticipating that we would be about IRRELEVANT all up as against the H1 budget;
- travel products were not anticipated to continue their performance until the end of the year;
- We were anticipating broadly for the year as a whole to be IRRELEVANT ahead on BOI and we thought that there was still good news to come;
- We had spent about IRRELEVANT more on Postmaster remuneration and employee wages and lost about IRRELEVANT on mails. AC was concerned that the mails numbers were soft and that we would see costs continuing to increase;
- We were seeing inflation with third party contracts, and we could not avoid this;
- When the position was reviewed by management, we noted that there were lots of positive reasons for the position, however we would continue to strive to do better;
- On the question as to why we wouldn't give some of the IRRELEVANT as against budget to Postmasters, we haven't said we wouldn't do this, it is just that we are saying that we are not going to do this now and to please allow us some more time. Postmaster remuneration did feel uncomfortable; whilst this was up year on year it was due to the one offs announced in August. The narrative that we were providing to BEIS was that we were pulling very lever and doing everything we could in terms of self-help. BEIS had been quite sharp previously when we had mentioned additional improvements to Postmaster remuneration; it would not help our bargaining position if we provided additional Postmaster remuneration at this point. SI noted that we would need to think carefully regarding the communication on this ahead of the Postmaster Business Update on 10 November. NR agreed with this. **ACTION** ZP queried whether we could invite our shareholder to listen in on the Update. NR replied that this was a good idea and that he would make this observation to C Creswell. EJ referenced the proposal to switch off Horizon overnight which EJ understood could save Postmasters significant amounts. NR agreed to look at this as part of the Update. SI referenced the Company's good relationship with energy suppliers and queried whether something could be achieved there to provide for Postmasters. NR replied that unfortunately there was not. SI noted that he had energy renewals coming up on 2 of his branches and detailed some quotes, which showed material increases. On energy front, AC advised that this was something that AC and NR had a concern on; Postmasters should be directing attention at BEIS and their MPs on this though, rather than the Company.

NR



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6. Three Year Strategic Plan

TABLED and **NOTED** was a report, 'Closing the 3YP Gap'.

AC spoke to the paper advising as follows:

- It was not anticipated that we would be in a position to recommend a 3YP to the Board in December, that the Board could then simply recommend to our shareholder;
- Within the current funding envelope, we would break the security headroom rules. There would be things we would not do just to stay within the rules however, including participating in the Inquiry badly and not delivering NBIT correctly;
- Currently management did not think we could come up with a satisfactory plan. The new NBIT proposals, including ceasing the Belfast exit, and the prospect of putting a second device in the network to de-risk NBIT, were simply all going to cost considerably more. We had used up the existing contingency as the equipment was going to cost significantly more than anticipated. We could not continue on Horizon beyond March 2025, and we were not sure Fujitsu would go beyond this date either;
- As to how we rolled out NBIT, to keep the numbers closer to the original budget we had assumed that training material would be written by our internal communications team and all training would be online, and that there was no counting of cash and stock on the day of branch transition to NBIT. We have said that we cannot roll out NBIT like that. The team are working through the detailed planning however the additional NBIT costs are anticipated to be in the region of [REDACTED] and another [REDACTED] may be required;
- A paper from TM on change spend was included in the Board pack and TM had got reasonably close to the challenge. However, whilst we could stop projects and release people, it was not possible to cut these projects altogether. We still needed to deliver it was just that we were pushing these projects out. AC shared his view that the risks that we were taking however by delaying these projects was not acceptable. AC provided the example of the copper wire replacement; if this was not attended to, we carried the risk of hundreds of Post Offices not being able to trade because we had not invested in the requisite technology;
- On HMU and Inquiry costs, the teams were signalling that they were not going to get close to the challenge, and these were areas we simply needed to get right;
- The position for the commercial team would be re-examined on Friday;
- We did not think that clarity would completely emerge for the Retail team, due to the NBIT roll out. Currently it was anticipated that a significant amount of Area Managers time in 2024 would be focused on the NBIT rollout. It was not clear as yet how we would service the role of Area Managers then; we could move this to the back office; however, the back office was pressed also;
- We had an offer to obtain a letter of credit from Barclays and would look to achieve something similar with Santander;
- We were providing managers with permission to start making some redundancies, this was not going to be a voluntary program however;
- ZM was looking at whether we could defer some of the costs for NBIT to later years. NR commented that ZM was being fantastic in putting his shoulder to the wheel. Every Friday we met with each business group and the business group provided an update on their position. The two big business units we were not getting the cut through that we needed from were commercial and retail;



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- What we were seeing operationally was that we simply could not cut as much as our current financial envelope required us to; we had reached a point where we could not take more money out of NBIT, nor the Inquiry and we needed more money to deliver these;
- We would write to BEIS now to say that we were not recommending a 3YP at present as we could not commit to delivering within the current financial constraints.

The Chair noted that if the above reflected where we were going to be come early December, and we would need to ask for additional funding which would be a difficult conversation, in order to do it right, we would need to be clear as to why we needed the additional funding and detail what it was we were not spending money on. The problem with this situation was how we went about delivering and executing within a reasonable time frame: were we in a position to do this? AC advised that management had asked themselves the same question and the answer was no. This did have a circularity to it – for example, we were not proposing to do anything in the network commercially, so if we were not doing anything until 2024 did that mean that the commercial team would leave in the meantime? The Chair shared his view that BEIS would look to see line by line where existing funding had been allocated and challenge applied. AC replied that management had been through this exercise line by line; it was not the intensity of the challenge; it was that management did not think they could deliver the asks within the existing funding constraints. The Chair noted that in order to be able to go to BEIS and say that we needed this amount of money we needed to be able to demonstrate this as a Board. The Chair further noted that the request would be pored over and queried how robustly we could do this. AC we had reviewed our numbers constantly; the paper for the December Board which would go onto BEIS would say that we were not recommending a 3YP as we could not deliver it within the rules the shareholder has set, and we anticipate a security headroom issue. We would be able to say that we had achieved significant inroads however that we could not push any further. The board would hear today from TM, ZM, and BF on their areas and the challenge applied. AC noted that ZM was feeling certain on what was required to deliver NBIT successfully; going through the Inquiry, ZM was simply not prepared to make compromises he could not explain.

ZP contributed that we needed to think about our strategy around asking BEIS for additional funding. They would be asked by central government to achieve savings on 17 November. What was the messaging to BEIS going to be? Did we need to look at divesting Post Office Insurance? Could we ask BEIS to re-purpose some existing allocated monies? ZP shared her view that she thought come January that the Board would not say that they could put their names to this 3YP. NR advised that he had touched on this with the Permanent Secretary; in terms of borrowing from another government department, NR did not think this would be an option. ZP reiterated that she did not think that the Board would support the 3YP. AC agreed, noting that the Board was saying that it would not support delivering NBIT badly and delivering the Inquiry badly. CS shared her view that we needed to use this as a pivot to move towards our longer-term viability. TC noted that the communications with BEIS on this were likely going to be very difficult and shared his view that it was better to be up front, and to say that we were not able to provide a plan that met all the constraints. TC cautioned that we needed to be careful on the tone adopted and that the style of the prose was unthreatening. LH agreed with this approach; correspondence to BEIS needed to be clear and factual. Now was the time to make big decisions, austerity could lead to big pivots. TC reiterated his thoughts that we needed to be conscious around the messaging to BEIS and not come across threateningly. AC noted that BEIS often did not understand the dimensions of the issues, and we were not



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provided with an opportunity to speak to Treasury, who were in turn briefed by people who do not understand the issues. AC advised that NR was working on how we could acquire access to speak to the team in Treasury.

The Chair called a 10-minute recess starting at 12:45. The meeting resumed at 12:55.

7. Revised Change Spend

TABLED and **NOTED** was a report, '3YP - Revised Change Spend'.

TM joined the meeting at 12:55, and advised as follows:

- AC had flagged change spend challenge earlier in the meeting, so TM proposed to provide an overview of the paper then open up for questions;
- TM noted that the change spend budget was already 50% lower than forecast for the previous year, and comprised licence to operate spend, as all the contingencies had already been removed. We had managed to extract [IRRELEVANT] of savings from the change spend budget. ZP queried, in terms of the [IRRELEVANT] the proposal may have been finalised however were the savings deliverable. TM replied that he would come onto this;
- In terms of risk appetite, there was no contingency to respond if risks materialised;
- There were 3 material increases in/ risks to the change forecast since July. The first of these was funding allocated to HIJ remediation; we were reflecting on how much we wished to spend on this given the content of the Opening Statements at the Inquiry. The second item was the change in HMG policy on IR35, and the third was asset sale value. Given the current economic climate we were taking a more stringent view on the likely proceeds from any divestment activity. That said, we had one asset on the market, a site in Manchester, on which we had received 2 offers, and both of these offers were above expectations;
- In relation to ZP's point, cutting back on any of the projects brought risks. In the absence of any contingency, we were essentially saying we would take on the risk and hope that unforeseen circumstances did not arise; this however did not align with our experience over the last few years;
- In relation to direct and indirect network maintenance, the cuts to the change spend budget meant that in practice if more branches closed than expected, we would likely replace, however the format could be different, and this could have a trading impact as the revised branch format may not be as profitable. Another item affected by the proposed cuts to the change spend budget was halting the copper wire replacement by fibre project. We were assuming that Openreach would be delaying their stop sell (copper switch off). If they did not, then a number of branches would need to close, and we would not be able to reopen them;
- On PUDO and automation, these represented important parts of the commercial strategy and enhanced automation could improve Postmaster remuneration. In the short term we could survive without these;
- In summary we had a line of sight to achieving [IRRELEVANT] of change spend savings, however there were many risks around this. Getting to the challenge amount of [IRRELEVANT] of savings would be much more difficult to achieve.

On the copper wire replacement LH noted that this was occurring nationally and that Openreach were way behind on the roll out. LH queried how much we had engaged to see what the cost would be in the re-connection. TM advised that there would be a cost for



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each new router. LH replied that the service provider should provide the new router. TM further advised that the costs he had been given were circa [RELEVANT] for each router and [RELEVANT] per engineer branch visit, as well as other ancillary costs. **ACTION** LH advised that she would take an action to speak this through with TM.

LH/TM

Whilst speaking about the proposed acquisition of kit and the maintenance of kit, LH queried who was looking at the intersection points in this regard between Horizon and NBIT. TM replied that he thought that this went to the wider conversation about device strategy. LH likened our IT acquisition approach to an airport, where we were looking to take off planes, and were landing others; where was the air traffic control? TM replied that overall control for this sat in ZM's area. LH shared her view that when we were looking at all these areas, she was not sure if they were all linked up.

EJ raised the automation element and advised that he had some passion around this. EJ suggested that we fast forward a few years and assume that the Labour party was in government and the minimum wage was higher. EJ shared his view that Postmasters would need automation in place to make Post Offices' viable. EJ queried whether the Company could partner on the provision of kit for example. TM replied that that was a question better answered by ZM. We had initially included [RELEVANT] in the change spend budget for automation, however this proposed spend had been removed. We were going to look to open a dialogue with WHS on this and SSK's as we had no money to deliver these. TM advised that the paper addressed how we would deliver the savings, it was not that we would necessarily endorse the approach. The Chair asked then how we got to a position that we could be comfortable with. TM replied that the challenge was our funding position; we had originally indicated that we would have need somewhere in the vicinity of [RELEVANT] for change spend, so the reduced plan that we started with at the beginning of the year was already incredibly tight. The Chair asked whether there was anything we could take out of the plan that did not assist the business to go forward. TM answered that this depended on risk appetite and proceeded to give the example of fogging. We had installed a number of these; whilst we did not have a legal obligation to deliver these, we did have a moral obligation to deploy these so as to protect Postmasters. We could take money out for deploying these further, however did the business want to be seen as taking money out in a way that could affect Postmaster safety. AC advised that we needed to work through the change spend challenge exercise further over the next 4 weeks. NR agreed with this: we would give the Board a view and the Board could interrogate this. We would also look understand the expectations of our shareholder in this regard.

TC shared his view that the shareholder needed to understand what it was that we would be losing if the change spend budget cuts were agreed, and conversely what was covered by the proposals TM replied that there was already an Interpath report on this. TC reiterated that this was the cost challenge that was being proposed; if we cut [RELEVANT] from the change spend budget what precisely were we losing from the previous plan. TM drew TC's attention to the risks as set out in the paper. TC noted that it was the examples, such as not deploying further fogging, that brought the paper to life. AC advised that we would look to articulate the different risks we were taking. A more detailed briefing for the shareholder may be required. Fogging was an excellent example on the risk appetite point; we had deployed these to the high-risk branches which is what we set out to do. There was no evidence that the risk profile in the network was changing, hence we were proposing that further change spend budget for fogging be removed.



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ACTION The Chair referenced TC's comments and requested that TM look at this. TM replied that we could look at picking out the top 20 projects; there were circa 120 projects. TC advised that we needed to be very granular about this; there were going to be very serious consequences that could flow from our decisions. CS agreed with this and advised that she thought it would be helpful to understand the impacts collectively on the different business units. TC asked that the further work also highlight instances where the spend was still required but just being deferred.

TM

ZP noted the 4 smaller projects identified where change challenge had been realised and queried the reference to a further 6 small projects where savings might be possible. TM replied that the allocated target had been applied as against the 15 largest projects. On the smaller projects there was a feeling that we had squeezed the pips as far as possible.

TM left the meeting at 13:20.

8. SPMP Deep dive including NBIT Roll-out

TABLED and **NOTED** was a report, 'Strategic Platform Modernisation (SPMP) update'.

ZM joined the meeting at 13:22. ZM advised as follows:

- the release 1 of the NBIT counter went live in the DMB branch in Aldwych and in St John's, Leeds during October. Positive feedback had been received from Postmasters in relation to the launch thus far. LH had attended Aldwych in person. SI advised that he was scheduled to visit St John's Leeds. **ACTION** ZM advised that we could organise a visit for Board members to Aldwych to observe the new system;
- In respect of NBIT and the 3YP, whilst we could live within current funding envelope, the view was that this would have catastrophic consequences for the Company and the shareholder. Additional costs to complete the NBIT project had been identified in the amount of approximately [RELEVANT]. The additional costs were due to new items that had come into scope, or non-discretionary costs, for example, the costs of new hardware. Although we had scored a few own goals in relation to the project, the increase in costs was largely due to external forces, not the project not being delivered. There was a very clear difference between this project and the Belfast exit project; here it was explicit that there were additional items of scope proposed to be added.

**ZM/ M
Roberts**

LH asked that we clarify up front that the Board were still waiting for a response to the re-visiting of the original business case, to confirm that exiting Horizon continued to make financial sense for the Company. This was due to be presented to the Board come January.

LH referenced the proposed allocation of [RELEVANT] for NBIT Postmaster training courses and shared her view that this was quite a lot of money. LH queried whether the increase in training costs was being driven perhaps by the experience that people were having in relation to the Inquiry. **ACTION** In any case LH questioned why the training and support was going to cost this much and requested that ZM come back with a deep dive on the proposals in relation to training and support. ZM replied that he was looking at the narrative coming out of the Inquiry in relation to the rollout of the Horizon system. The view was that Postmasters were not trained properly, and Horizon was not deployed properly – we were planning to avoid these errors when NBIT was rolled out. ZM advised

ZM



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that even without the Inquiry ZM thought that we would be advocating the same proposed approach. LH replied that she recalled that we had considerable funds allocated already for training and support, however it appeared that another [IRRELEVANT] was being requested – so what had changed – and why was this so much more. In relation to the increased cost for training, ZM advised that there were 3 big drivers that went to explaining the proposed cost increase. The first of these was the use of a learning management system. We had originally thought that we would use the Company's existing system, however this was not viable, and we needed to generate a separate system. The second driver was that the original business case was predicated on most Postmasters engaging in online training, with a small number of Postmasters undertaking training in person. What we had learned from the Inquiry was that this approach was not good enough, so we had put in for virtual classrooms and physical classrooms. Postmasters and their staff could still complete their training online, however virtual classrooms and physical classrooms were then also available. Without this, we could have Postmasters who were not able to absorb the online training; we wanted to have in branch training for assurance that branches were ready to go live.

EJ queried whether it would be possible to have dedicated high-speed assistance in relation to the launch, for example, so it would only be a few seconds before a call was answered. EJ referenced the average age of Postmasters and advised that Horizon might be the only IT system that they use. EJ queried whether there was an approach somewhere between what ZM was proposing, a blended option perhaps? LH took the point and observed that of course no one Postmaster was the same, so did the proposal in relation to training assume that all Postmasters were to receive the top level of support. ZM replied no; as a starting point all Postmasters would receive the online training content. We proposed to obtain professionals to deliver the online content. The next step would be that Postmasters attended the online classroom, then there would be in person training for 2 days. We would have a list Postmaster by Postmaster and staff member by staff member of who needed the training. As to why we needed to reinforce the Retail team, in the original business plan we had planned to implement on a standard basis. However, via the Inquiry, it had become apparent that a lot of Postmasters had the best relationship with their area managers with whom the Postmasters had trust and received support, so it was proposed that area managers went in to support the rollout, which would mean area managers working on the rollout for 12 – 18 months. In essence we were utilising the area manager/ Postmaster relationship – we could not buy this on the market. LH advised that she thought that the Board needed to hear from the Retail team with their perspective on the proposal. AC advised that this was being worked on by the Retail team at present. LH shared her view that this was something that the Retail team needed to take on, and not have put on them. ZM noted that there already exists an action item for M Roberts to bring this item back to the Board. CS queried, in terms of area managers and what they were doing now, were we satisfied that that was right. NR advised that we would need to look at a week in the life of an area manager, it would not be a complete backfill exercise.

SI expressed concern regarding the training materials being written by professionals and asked whether this could not have been undertaken by Postmasters. SI also asked that the training materials be provided in multiple languages. ZM replied that we had 3 or 4 Postmasters seconded full time to the project. AC advised that he thought that a lot of the training would be by way of video. EJ queried which languages SI was thinking the training be delivered in. SI replied Urdu and Gujarati as a starting point.



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ZP thanked ZM for the helpful update and advised that she had 3 reflections to share. Firstly, on phase 1, what was NBIT going to deliver, what were we actually going to get? ZM replied by inviting ZP to the Aldwych branch and assured ZP that seeing was believing. Release 2 would contain all Mails and Banking products, so if release 2 was successful we would be significantly progressed. ZP referenced numbered paragraph 5 of the paper which set out the compromises we are going to need to make and accept, and that the Board would need to collectively consider these. ZP also noted the 2-year period for which the NBIT project had been running and that there had been many learnings along the way: ZP wanted to make sure that we had bottomed out the learnings as much as possible and thought that we had one last chance to go in for additional funding. ZM replied that whilst we could exist within the current funding envelope, that the consequences were going to be unpleasant. AC advised that he would simply say no to delivering NBIT within the existing funding position. LH expressed concern around the moving around between business units of the cyber security costs. AC reminded the Board about the previous discussions on risk appetite, and that the Board had said that we could accept cyber security risk however not on NBIT. In respect of the proposed cost increases, TC advised that the Board would need to understand what was in the original business case and what was not, and we needed to then explain this to BEIS. We needed to be very strong on this one, given the value of the change. TC further advised that he was somewhat confused on the numbers. ZM addressed this briefly. TC shared his thoughts that the timing and the explanation on this needed to be now, as this was when we were looking to go into bat with BEIS. LH agreed with this, however referenced ZP's point about going to the shareholder with a proposal that the Board were comfortable with. TC agreed and noted that it was about creditability. ZP shared her view that inflation was going to stay high for a long time, so this should be factored in.

The Chair summarised the asks of the Board for the December and January Board meetings. ZM noted these as being a paper to be provided for the December Board meeting detailing the difference in the cost to deliver NBIT and how this had happened. For the January Board meeting an NBIT training deep dive had been requested, setting out what was proposed and the costings. NR replied that he thought there was a strong appetite to see some of this detail in December. AC agreed with this and requested that further details of the roll-out be brought back to the Board in December. ZP asked about the timing for ZM to meet with BEIS. ZM advised that he would push his current meeting with BEIS back.

In relation to the procurement of the hardware, SI recalled that when this was discussed that there would be a screen on the customer facing side and potentially a scanner. The majority of time wasted in branch was around taking a phone from a customer – a screen and scanner on the customer facing side would make the customer journey much quicker. SI shared his view that he thought that this was important for our future. ZM advised that there were no customer facing screens and that this decision had been taken in order to save costs. SI reiterated his view to which EJ agreed.

ZM left the meeting at 13:55.

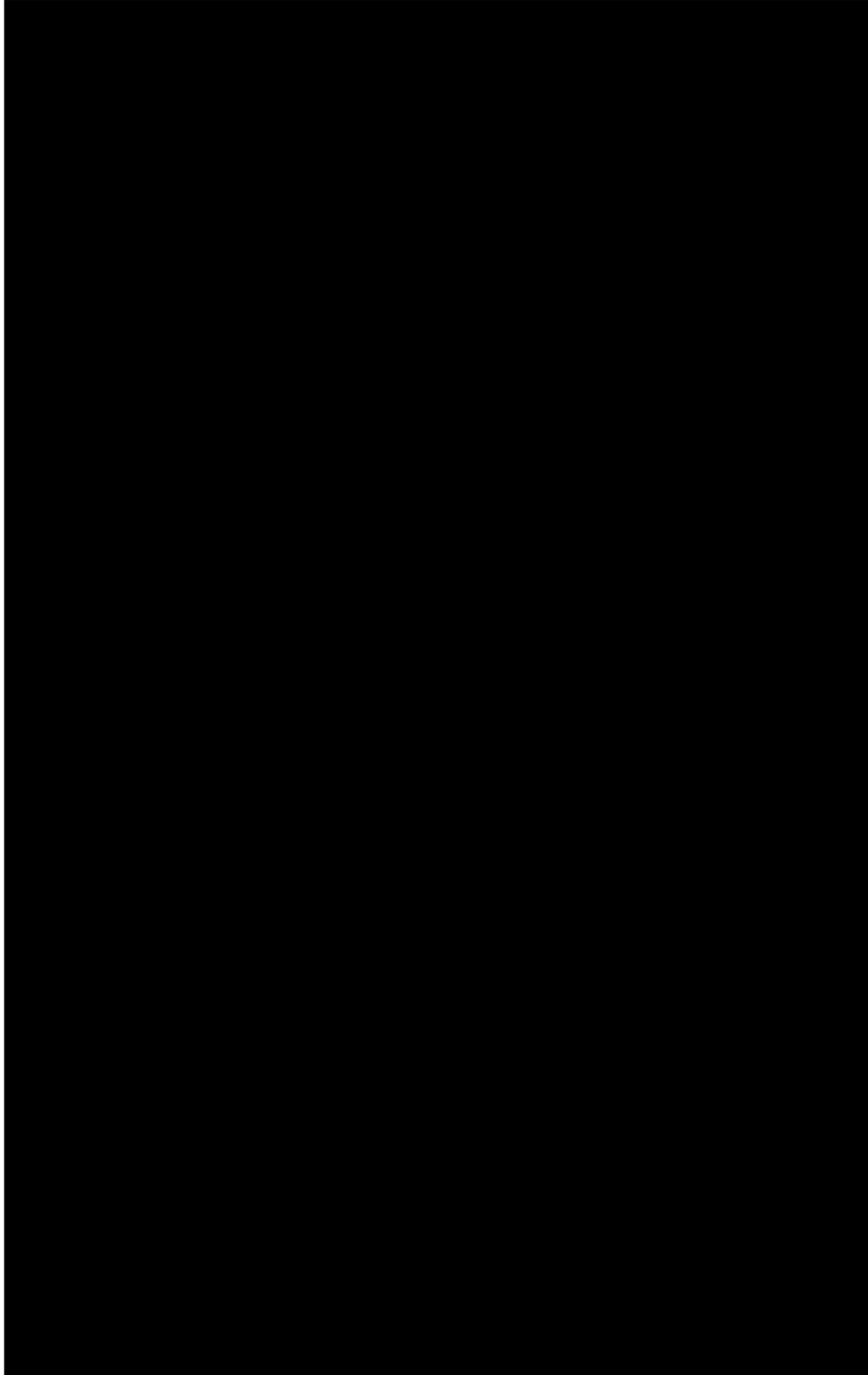
9. Revised HMU/ Inquiry spend

BF and SR joined the meeting at 13:55.



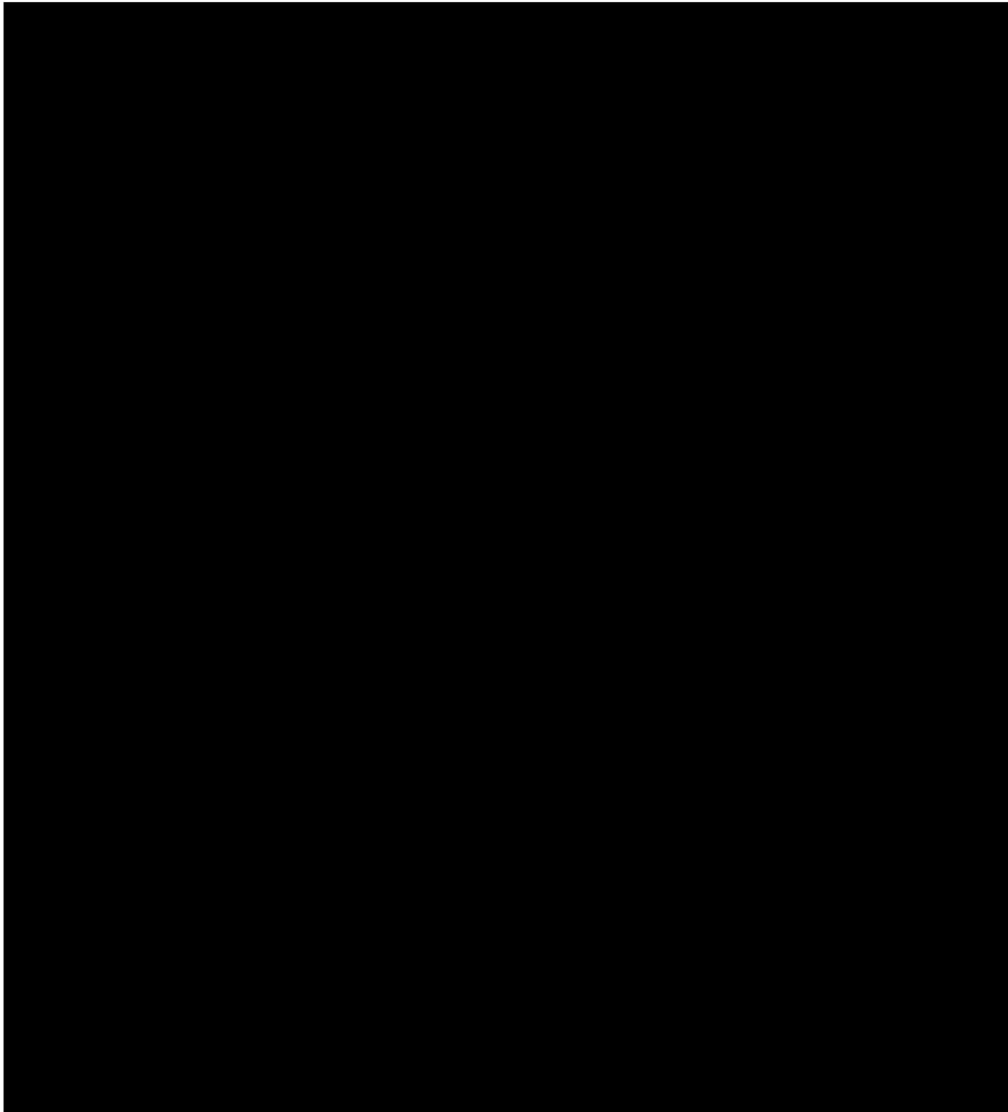
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The Chair advised that the Board was invited to discuss the proposed approach to HMU/ Inquiry spend, and then to make a decision in this respect come the December Board meeting.





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BF

BF

The Chair called for further questions for BF and SR. There were no further questions.

The Chair paused to provide a summary of the agreed way forward on the 3YP and the approach to the shareholder, being the production of 2 narratives as follows:

- Firstly a high level narrative outlining the revenue drivers and other pressures on the Profit and Loss statement, which would also detail the anticipated impacts on Postmaster remuneration, and risks around NBIT and the Inquiry. This narrative would raise questions in terms of the long term viability of the Company, demonstrate the funding gap, and assist to illuminate the answer to the question of the size and shape of the network, as against the timing of the BEIS policy review; and
- Secondly a detailed narrative setting out the work completed on cost management and self-help. This work needed to be completed to a level to be verifiable for the shareholder to audit.



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The Chair further noted the Board's reflections on the appropriate tone to adopt in relation to the shareholder; we needed to be careful to avoid any language or positioning that could be perceived as an ultimatum. The sequencing was important, with the finalisation of the work on the 3YP, the imminent arrival of the incoming Chair of the Board, new ministerial appointments at BEIS, and wider issues in government.

10. Historical Matters

10.1 Historical Matters Unit Update

TABLED and **NOTED** was the following paper, 'Historical Matters Programme Update'.

10.2 Public Inquiry Update and Funding Request

TABLED and **NOTED** was the following paper, 'Post Office Horizon IT Inquiry: Update'.

BF and SR left the meeting at 14:18.

11. Approval Requests

11.1 SPMP Device Funding Drawdown

TABLED and **NOTED** was a paper, 'SPMP Device Funding Drawdown'.

LH had a query on the devices; she could not see the ramp up and it was not clear at any one point whether we would have too much or too little kit. CS advised that she had a question on the hedging and the financial piece, and a second question around the operational logistics of the purchasing. We were committing to the purchases up front so had a contingent liability, could we get caught operationally and then not have the items at the relevant time. CS was concerned about this issue, given changes to freight and that we were operationally in a different environment now. AC agreed that these were legitimate concerns, however provided assurance that management were facing these challenges. **ACTION** NR advised that he would pick up these matters with ZM.

ZM

The Board **RESOLVED** that the Strategic Platform Modernisation Programme purchase of full counter devices up to the value of [IRRELEVANT] be and is hereby **APPROVED**.

11.2 External Auditor's proposed fees and terms

TABLED and **NOTED** was a paper, 'External Auditor Appointment Fee and Scope'.

NOTING the **RECOMMENDATION** of the Audit, Risk and Compliance Committee, the Board **RESOLVED** that PwC's:

- (i) fees for the 2022/23 financial year in the amount of [IRRELEVANT] be and are hereby **APPROVED**;
- (ii) scope for the 2022/23 financial year be and is hereby **APPROVED**; and
- (iii) terms of engagement be in the same form as previously, subject to any legal or regulatory amendments required.



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11.3 FY21/22 ARA Publication and Filing

TABLED and **NOTED** was a paper, 'FY21/22 ARA filing'.

CS noted the approval request in the paper, however advised that the Board may need to consider a Plan B. AC replied that if we were not able to file by December, we would need to re-open the accounts. LH replied that a Plan B could be not including the DRR for publishing with the FY21/22 ARA. CS replied that she would discuss with PwC whether this was feasible. TC shared his view that not including the DRR would cause more issues. AC agreed with this. ZP suggested that we write to BEIS, reminding them that we were waiting for their approval, and advising that we were due to file in December.

Subject to the shareholder approving FY21/22 STIP and FY21/24 LTIP elements of the Executive Director's remuneration, the Board **RESOLVED** that:

- (i) laying of the Company's Annual Report and Accounts for FY21/22 in Parliament in December 2022 be and is hereby **APPROVED**;
- (ii) filing of the Company's Annual Report and Accounts for FY21/22 with the Registrar of Companies in December 2022 be and is hereby **APPROVED**; and
- (iii) the Company Secretary be instructed to file the Company's Annual Report and Accounts for FY21/22 with the Registrar of Companies, following the laying of the Company's Annual Report and Accounts for FY21/22 in Parliament.

11.4 Postal Museum Loans

TABLED and **NOTED** was a paper, 'The Postal Museum loans'.

The Board **RESOLVED**:

- (i) to **DELEGATE** authority to the Group Chief Executive Officer to finalise the terms of the repayment plan in respect of the outstanding loan due from The Postal Museum in the amount of IRRELEVANT; and
- (ii) to authorise any 2 Directors or a Director and the Company Secretary to sign any resulting documentation.

11.5 Procurement

TABLED and **NOTED** were the following papers:

- (i) 'Procurement Report';
- (ii) 'Appendix 1 - Security Pay-out Contract';
- (iii) 'Appendix 2 - Deployment Services for NBIT System to Branches Sourcing Strategy';
- (iv) 'Appendix 3 - Software Reseller Sourcing Strategy';
- (v) 'Security Pay-out Contract - Procurement Risk Exception Note'; and
- (vi) 'Security Pay-out Contract - Legal Risk Note'.

Appendix 1

In relation to Appendix 1, AC noted that an internal investigation had been initiated and that BF's team was leading this. There may be disciplinary consequences depending on the results of the investigation.



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The Board **RESOLVED** a direct award for security pay-out services to Zunoma with a contract value of [IRRELEVANT] comprising [IRRELEVANT] for the Energy Pay-out scheme and [IRRELEVANT] for other pay-out schemes with a contract period commencing on 1 September 2022 expiring 30 June 2023 be and is hereby **APPROVED**.

Appendix 2

In relation to Appendix 2, TC queried the subject matter of the procurement. The Chair advised that the Board were being asked to approve the procurement approach at this stage, without approving actual spend. **ACTION** TC took the point and asked that the matter be returned to the Board to provide an update once the subject matter was defined and actual spend was contemplated.

L Carroll

The Board **RESOLVED**:

- (i) Procurement be conducted via the CCS Technology Service 3 Lot 2 (Transition and Transformation) Framework to select a supplier to provide deployment services for NBIT with length of contract to be [IRRELEVANT] with one [IRRELEVANT] extension with a contract value in the region of [IRRELEVANT] be and is hereby **APPROVED**;
- (ii) to **DELEGATE** authority to the GE to award the contract and to finalise the terms of the contract; and
- (iii) to authorise any 2 Directors or any Director and the Company Secretary to execute the contract.

Appendix 3

TC queried whether we were currently spending at the level indicated in the paper. AC clarified that the amount quoted in the paper was a maximum contract value, and we would be committing to spend a minimum of [IRRELEVANT] per annum.

The Board **RESOLVED**:

- (i) Procurement be conducted via a competition under the Crown Commercial Services TePAS Framework to select a supplier to provide Software Reseller Services to Post Office with length of contract to be [IRRELEVANT] with a maximum value of [IRRELEVANT] with a minimum commitment spend of [IRRELEVANT] per annum be and is hereby **APPROVED**;
- (ii) to **DELEGATE** authority to the GE to award the contract and to finalise the terms of the contract; and
- (iii) to authorise any 2 Directors or any Director and the Company Secretary to execute the contract.

12. Noting Papers with no Presentation

12.1 Health & Safety Report

TABLED and **NOTED** was a paper, 'Health & Safety Monthly Report'.



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12.2 Common Issues Judgement Dashboard

TABLED and **NOTED** were the following papers:

- (i) 'Common Issues Judgment Dashboard P6 Cover Paper'; and
- (ii) 'Common Issues Judgment Dashboard P6'.

The Chair observed that the Postmaster training point was highlighted in the Dashboard.

13. Noting and Governance Items

13.1 Incoming Chair - Independence

TABLED and **NOTED** was a paper, 'Independence of incoming Chair '.

RS spoke briefly to the paper, indicating that the matter at hand was in relation to an assessment as to the independence of the incoming Chair, rather than a conflict issue. RS advised that her view, and that of our internal and external counsel, was that it was open to the Board to consider the incoming Chair could be considered independent upon appointment as Chair.

RS noted that ZP had advised RS of the incoming Chair's shareholding at WH Smith plc. RS advised that she was checking the point with H Staunton, however in the meantime we had conducted searches and it appeared that the incoming Chair still held these shares. TC advised that he thought the paper should have referenced the shares. RS took the point however advised that this was more of a conflict point and H Staunton would need to declare this conflict when he joined the Board and that a plan would be put in place to manage this conflict.

The Board of Directors **RESOLVED** that Mr Staunton would be independent upon appointment to the Post Office Limited Board. In making their decision, the Directors concluded that Post Office's business relationship with WH Smith plc would not affect Mr Staunton's independence, objective judgement, and his ability to hold executive management to account. Furthermore, WH Smith plc was only one of Post Office's strategic partners and the Board have determined that there are no other circumstances or relationships that can be considered to impair Mr Staunton's independence upon appointment.

Moreover, Mr Staunton has extensive experience in leading and contributing to Boards and holding executive management teams to account both as a Chair and a non-executive director. As well as being the Chair of WH Smith plc, Mr Staunton most recent roles include being Chair of Capital & Counties Properties Plc and Exeter University Business School.

Mr Staunton will be stepping down from his role as Chair of WH Smith plc on 30th November 2022 and will be joining the Post Office Limited Board on 1 December 2022. As such, there will be no period of overlap in conducting these two appointments.

13.2 Sealings Report

The Board **APPROVED** the affixing of the Common Seal of the Company to the documents set out against items numbered 2156, and 2158 – 2161 inclusive in the Seals Register.



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13.3 Future Meeting Dates

The future meeting dates were **NOTED**.

13.4 Forward Agenda

The Forward Agenda was **NOTED**.

14. Any Other Business

There being no other business the Chair declared the meeting closed at 14:37.

15. Date of next scheduled meeting

Board Meeting – 6 December 2022 13:00 – 17:30 hrs

GRO

12/12/2022 17:12

Chairman

Voting Results for Board Minutes from 01.11.2022 (approved on 06.12.2022)

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
Tidswell, Ben	For	12/12/2022 17:12