



POST OFFICE LIMITED BOARD MEETING
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MINUTES OF A MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON TUESDAY 27 SEPTEMBER 2022 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 13:00 PM

Present:	Tim Parker	Chairman (TP)
	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)
	Ben Tidswell	Non-Executive Director (BT)
	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)
	Roshana Arasaratnam	UKGI - Observer (RA)
	Owen Woodley	Group Chief Commercial Officer (OW)
	Max Jacobi	Finance Director – Retail (MJ)
	Navin Batra	Strategic Financial Planning & Analysis Director (NB)
	Tim McInnes	Strategy and Transformation Director (TM)
	Neill O'Sullivan	Managing Director - Parcels and Mails (NO)
	Zdravko Mladenov	Group Chief Digital and Information Officer (ZM)
	Ben Foat	Group General Counsel (BF)
	Simon Recaldin	Historical Matters Director (SR)
	Fintan Canavan	Inquiry Director (FC)
	Kate Gallafent KC	Blackstone Chambers – Inquiry Counsel (KG)
	Jeff Smyth	Enterprise Cloud & Data Transformation Director (JS)
Apologies:	Tom Cooper	Non-Executive Director (TC)

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.

The Board acknowledged the attendance of RA as an observer at the meeting. As an observer, the Board was aware that all contributions made by RA to meeting were observations only, and did not constitute advice, recommendations, directions or instructions. The Board confirmed that it would take due care not to be unduly influenced solely by a contribution made by RA and that it would reach its conclusion based on a balanced and diligent assessment of all the facts available to it.

2. Minutes and Matters Arising

TABLED and **NOTED** were draft Minutes from the Board Meetings of 12 July 2022, 13 July 2022 and 18 August 2022. Subject to the incorporation of comments provided by LH on the draft Minutes of 12 and 13 July 2022, and the comments of SI on the draft Minutes of 18 August 2022, the Board **RESOLVED** that the Minutes of the Meetings held on 12 July



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2022, 13 July 2022 and 18 August 2022 be **APPROVED** as a correct record of those Meetings and be signed by the Chair.

The Board **NOTED** the action log and status of the actions shown. ZP queried whether the action log could be condensed to remove items that were semi-concluded or where there was no prospect of change in the near future. The Chair agreed with this and requested that a shorter list be compiled and provided for the next Board Meeting.

RS

TABLED and **NOTED** was a paper, 'ATM Banking Strategy Programme: Lessons Learnt and AEI Assurance Review'.

The Chair passed to NR and asked NR whether he wished to make any comments on the paper. NR advised that a Central Operations Director had been recruited who was due to join in October to assist the Retail team to manage all change that effected the network; there was confidence that this appointment would help. There had also been issues at the beginning of the year as to whether JS or ZM should be involved in which projects; this issue was now resolved and ZM was doing a great job. NR advised the Board that whilst some issues remained, that the executive team were making progress.

EJ contributed that he had had a conversation with TM following the 12 July 2022 Board Meeting and that he thought the revised paper tabled was much more accurate.

The Chair drew the Board's attention to the key themes and learnings that came out of the review. CS advised that she hoped we could take the lessons from this exercise, as it felt in some ways the project was a repetition of what had happened when change had been implemented previously. NR took the point however reiterated the new appointee who would be looking at the capacity of the network to absorb change at any one time. LH shared her experience from other organisations, who used a change Calendar, and advised that change projects in the network needed to be mapped out ahead of the rollout of NBIT. **ACTION** ZP agreed with this and requested that whether it was in 3- or 6-months' time, that M Roberts attend the Board to speak about the specifics of the NBIT roll-out in the network, to ensure that we were ahead of this. NR agreed with this approach.

M Roberts/
ZM

SI asked NR whether, on the findings of the review, we were going to communicate anything to the network. NR replied that he thought the November Postmaster conference could be the time to discuss this and that he knew there needed to be a degree of humility in the communication.

SI asked whether management had followed through with all the branches we had switched over to tablets, as SI still had some Postmaster's contacting SI to say that there were issues. SI asked whether EJ had heard of issues. EJ replied that he had not. SI emphasised that delays in implementation did not help Postmasters at all and that Postmasters needed to be appropriately sighted on upcoming changes in order to allow implementation in good time. The Chair agreed with this and advised that there needed to be tight control over the number of change projects affecting the network in flight at any one time.

The Chair noted a theme that had emerged from the review was that when we were rolling things out, we needed to be sure that we were receiving the right feedback, to ensure that we are refining the implementation as required. Sometimes we assumed that things were going better than what they were, and this was the value of having EJ and SI on the Board to provide their views on implementation. EJ advised that EJ and SI had been



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consulted ahead of the rollout of the ATMS however their recommendations had not been addressed. ZP commented that the Postmaster Director should have been involved in the pre-consultation also. EJ agreed with this in principle however pointed out that the Postmaster Director had only just joined at this time.

The Chair advised that an issue for some companies was the empowering of more junior people. People in this band were tasked with starting a program and found themselves between their manager and people who were telling them that what was proposed was not going to work. We needed to empower more junior people to speak up – this was very important as it was typically middle management who often knew the specifics. The Chair advised that he was unsure as to whether this was an issue at the Company.

SI advised that issues remained with some tablets, in that Postmaster's still needed to click on install certificates every time; this should have been resolved. NR replied that this could be a great case for the Central Operations Director when she joined next month; part of the problem was that we needed to remind ourselves to behave as a retailer. BG shared that from his experience of working in a retail environment that a strong operational team was key.

3. Committee Reports (verbal)

3.1 Remuneration Committee

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

LH advised:

- Proposed rules in respect of the STIP and LTIP had been prepared which detailed eligibility and defined terms such as 'good leaver'. Rules around the STIP and LTIP had not been in place at the Company historically;
- Plans were underway to communicate the Future Pay Framework in respect of the 2022/23 STIP, 2022-25 LTIP, and 2021-24 LTIP. Malus and clawback were to be introduced into the schemes;
- In relation to some payments issued under the 21/22 STIP questions had arisen as to whether the correct approvals process had been followed. This issue was being considered with urgency.

3.2 Historical Remediation Committee

The Chair asked BT to provide an update on the work of the Historical Remediation Committee.

BT advised that the HMU and Inquiry update papers included in the Board pack were quite comprehensive, however drew the Board's attention to the following items:

- Late applications (being late applicants to the HSS scheme) had been sitting in abeyance for some time. Although not announced as yet, funding for this had been secured. As soon as the funding was announced, we would need to administer the applications quickly. The issue of late applications and the delay around these had become a significant issue at the Inquiry;
- On OHC, the issue there was finding the right alternate option to HSF. The HRC were trying to find an option that would be supported by all stakeholders. We had



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had a lot of good news on OHC however the HRC needed to tackle what OHC administration would look like in the next few months;

- In relation to detriment, the 14 workstreams remained ongoing. On the paused payments issue, there had been quite a debate as to whether we should be pausing payments for Postmaster's who are repaying debts. It was a very difficult issue as we didn't have the detail as yet in respect of the underlying issues and we needed to establish if/ how this related to detriment. However, the HMU team were starting to bring some of the categories together so we could move forward, including on the funding front;
- Good progress had been made in respect of HSS; although we may not hit the 95% stretch target for offers issued by the end of October.

The Chair called for questions. In relation to pause payments, AC requested that the Board set a time limit for when this matter would need to be returned to the Board for decision, delays could result in us being subjected to heavy criticism. There would simply come a point when we needed to act, and this was likely to be pre-Christmas. BT agreed with this and advised that the HRC was prompting the team to work hard on this issue, and that his expectation was that the HRC should receive additional information in October. BT shared his view that he did not think that we had sufficient information at present to make a decision. AC replied that he had some scepticism about whether the information would help us to move forward – even if we worked through all the individual pieces successfully the equation would still not add up – so the only way we could resolve this was by speaking to Postmasters. BT noted that there were 2 groups of Postmasters here; the first group was Postmasters who were paying monies back now. If we went back to go the CIJ the Company was criticised for taking the re-payments without having undertaken investigations. The second group of Postmasters were those who had paid back monies historically and we didn't know why. CS observed that this potentially sounded like another whole scheme. BT queried whether the underlying issue was shortfalls and if so whether we were really going to run another scheme for shortfalls. NR noted that the potential quantum was £375M and that the issue went back over 25 years; D Bickerton had shared his view with an analogy, if you reversed into a parked car then you would put a note with your details under the windscreen wiper – this is what we should be doing here. CS queried how many times we needed to go and ask the same population if there was an issue. BT replied that paused payments had a slightly different complexion, in that they spread horizontally across the business; we had been constructing vertically. If we could get the vertical pillars constructed that would give us a universe as currently, we did not have visibility. AC contributed that the fact that we were unfunded for a potential liability did not mean that the liability did not exist; we could only play the we don't have funding card for so long. AC shared his view that he thought that the HRC should bring the matter back to the Board for either the next Board Meeting in November or the final Board in December before the end of the year.

The Chair reminded the Board that their job was to articulate the problem – we needed to explain to government what the issue was. The second component was that as an organisation we needed to take a stance quite broadly that we wanted to compensate Postmasters for everything that has been unfairly and wrongfully done to them. The problem was that we were being criticised for non-payment of compensation. Given that the government was providing the funding we needed to make sure that we make it clear where responsibility sits. Despite best efforts to resolve historical matters the Company had to hear the continual theme of Postmasters not receiving compensation in good time.



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We have one shareholder however we have a single brand, and we have to be careful that that brand is not being unfairly discounted for decisions that we cannot take. BT pointed out here however that BEIS would say that we had not asked them for funding as yet. BT noted that the approach could be that we moved to investigate, as opposed to running another process to administer this. AC agreed that this was where we needed a decision. The Chair observed that we would reach a stage where a limit has to be declared. In an environment where there was an expectation on us to meet any claim we needed to signal when the limit was reached. NR advised that he thought that we are arriving towards this point.

3.3 Nominations Committee

The Chairman provided an update on the work of the Nominations Committee, advising that the Nominations Committee had noted that the Chairman was due to step down from the Board come 30 September 2022, and that the Committee had resolved to recommend to the Board the appointment of BT as Interim Chair of the Board for the period from 1 October until 30 November 2022.

Noting that BT did not participate in the decision, the Board **RESOLVED** that:

- (i) BT be and is hereby appointed as Interim Chairman of the Board of Directors for the period 1 October until 30 November 2022; and
- (ii) The Company Secretary be instructed to file form TM01 with the Registrar of Companies and update the Company's Register of Directors to reflect the Chairman stepping down from the Board 30 September 2022.

The Chairman further advised that the Committee had resolved to recommend to the Board a number of appointments to the Board's committees.

Noting that the Directors did not vote on their corresponding proposed appointments, the Board **RESOLVED** that:

- (i) LH be appointed as Interim Chair of the Nominations Committee for the period 1 October until 30 November 2022;
- (ii) BG be appointed as a member of the Remuneration Committee;
- (iii) EJ be appointed as a member of the Audit, Risk and Compliance Committee; and
- (iv) SI be appointed as a member of the Nominations Committee.

The Chairman also advised that the Committee had noted the external appointments of CS, LH, EJ and SI to other boards.

In addition to the above the Chairman advised that an update had been provided to the Committee on the recruitment of 3 new NEDs. There was an obvious diversity issue looming here with 3 women leaving the Board and it was very important in the recruitment to maintain a degree of diversity around the Board table.

The Chairman called for questions. There were no questions.

3.4 Audit, Risk and Compliance Committee



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The Chairman requested CS to update the Board on the work of the Audit, Risk and Compliance Committee.

CS advised:

- ARC had met earlier in the day. An interesting meeting had ensued: with limited funding there were a number of risks that we had to accept. The ARC would review the final 3YP and assess where that left the Company on risks, then write to the shareholder to advise them of the position. The shareholder was consistently issuing correspondence to us on best practice, for example in relation to cyber security, however we were not in a financial position to be able to support this. Although we were exposed on cyber security there was some comfort in that given the age of Horizon it was difficult to hack;
- On Postmaster losses the numbers were starting to creep up;
- The corporate insurance renewal levels had been approved, and in terms of cover we were holding level for cyber;
- In terms of the RMPP issue, the team had progressed the matter to a point where we could sign a MOU that was still within the financial envelope provided by the Board. If this needed to be exceeded the matter would come back to the Board;
- Some Postmaster and other Company policies had been considered and approved by ARC;
- Deloitte had been re-appointed as co-sourced IA;
- Correspondence had been received from the FRC querying how we had treated some matters in the accounts. A reply was being prepared to address the queries and the team had confidence in the response.

4. CEO Report

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

The Chair invited NR to speak to the Report. NR advised as follows:

- we had made our first trading loss for the period, which was slightly alarming;
- Industrial Action was going to cause further operational dislocation, and we would be impacted in addition by the RMG strike action;
- The Industrial Action aligned with the cost-of-living crisis saw the Voice of the Postmaster group mobilising themselves. Correspondence had been received at 3 distinct times, the first of these being on 5 August when NR had received 100 emails that there were circa 550 Postmasters who had joined the Voice of the Postmaster. The last date of receiving a group of correspondence was on 14 September when Postmaster's pay statements became available. The Postmasters who reacted on 14 September were from branches who had a large amount of fixed income rather than variable pay, so would benefit the least from the raft of changes to Postmaster remuneration. NR advised that his response had been that the Company could not solve for macro-economic conditions. The issue of Postmaster remuneration would be considered carefully again ahead of the November Postmaster conference;
- In terms of a pay award, although originally, we had spoken about a 2-3% increase, this was more likely to be 5% and a £500 lump sum payment. This offer had been rejected by the CWU at present. This was a very difficult issue, when we were seeing our cost base rise;
- The new Minister for Postal Affairs had been announced yesterday and NR would meet with the new Minister in the next couple of weeks;



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- Combined with Her Majesty the Queen's death it had been quite difficult to get a handle on trade. All retailers seemed to be struggling with trade at present. If our Postmaster's are subjected to further rising costs, we have a difficult cocktail brewing ahead of peak;
- In relation to the 3YP, what we are trying to do is to bring some life to the challenges and the consequences that we are presented with. A list of anticipated decisions for Board had been prepared for the next few months; these calls were not easy, and the Board would need to discuss whether we had the capacity and the funding to make some of these decisions;
- Regarding the social purpose of the Post Office, we were looking to see whether we could achieve vulnerable business status with the government. C Creswell had pushed back on this initially, however. LH queried how an entity obtained vulnerable business status. NR advised that when he had spoken to C Creswell, he had asked what we needed to demonstrate. EJ referenced the pay outs currently being distributed by the Post Office. NR further advised that he had been clear with R Taylor that we needed to punch quite hard here.

NR paused and called for questions.

LH noted the update to publish the ARA in December and advised that we could not publish the DRR whilst there were outstanding approvals issues to be addressed with the Shareholder. AC confirmed that the Company were not going to publish the ARA until December.

NR advised that from a trading perspective we were in pretty good shape, and that the churn numbers were extraordinary, however we needed to understand why. It might be that our elderly Postmasters had no alternative and could not pass in their keys. The cost-of-living crisis was likely to hit them very hard with business rates and energy costs where they were. Management were looking to get under the skin of this issue to understand it; there was a concern as to whether we were just storing up a problem, as it did not feel right. SI queried whether management had spoken to any of these Postmasters? NR replied that he reviewed the Voice of the Postmaster correspondence and he thought that Postmasters were perhaps hanging on for the peak. EJ reflected that in the absence of selling their business, it was not the easiest exit for Postmasters who needed to wait for a break in their lease. ZP asked for confirmation that we did not know when the lease breaks were. NR advised that this was correct. We projected 500 branches of churn, and that has been revised down to 300 given we had had an extraordinary 6 months. EJ reflected that the recent remuneration announcements could assist Postmasters to hang on for a bit longer.

SI advised that he had found out about the additional banking hubs via another Postmaster. NR took the point however asked SI to please remember that we did not run the process and advised that we also knew nothing about the launch and that there had been no prior consultation with us. The challenge for us was how to roll these out and we needed to come up with a set of rules for the pipeline as to who could apply and how. A further challenge was getting the banks to recognise that we were the only 'gig in town' left to do this.

EJ advised that Postmasters were being very badly eroded online by RMG and shared his view that this was the biggest issue for Postmasters. EJ referenced the stamps that were being discontinued and advised that Post Offices were taking in all RMG stamps which involved considerable work however Postmasters were not being remunerated for it.



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SI noted a rise in the number of BRP cards to distribute in branch. NR queried why the numbers had risen at present. SI advised that he thought this could be attributed to students. **ACTION** NR advised that he would speak to M Roberts about this.

**NR/ M
Roberts**

ZP requested that NR provide an update on [IRRELEVANT] and also requested that during the discussion on the 3YP the Policy Review was considered. NR proceeded to provide an update on [IRRELEVANT] including the number of Post Offices potentially to be closed and the possible timing.

EJ raised the issue of the limits banks were imposing on cash deposits and the difficulties Post Offices were experiencing as a result. NR advised that he had spoken to M Kearsley on this on Friday and provided assured that he was on this.

The Chair called for questions. There were no further questions.

5. Finance

5.1 Financial Performance Report

TABLED and **NOTED** was a report, 'August 2022 (P5) – Performance Overview'. MJ and NB joined the Meeting at 14:05.

AC spoke to the report, advising as follows:

- The Company had performed better than budget, largely because of FRES. However, we could see travel returns levelling off;
- The position on mails was ugly. The Chair queried what the feeling for September was. AC replied that this was difficult to assess with the additional bank holiday due to the Queen's death and industrial action. Despite this however, AC saw no grounds for thinking that the trend was incorrect, and AC was not confident about Christmas trading. LH queried whether we had any market context data. AC replied that it was the market definitely. BG noted that Evri as a business were tracking 10% down. AC shared his view that RMG appeared to be uniquely troubled. RMG were threatening to split the business into 2, selling off the international business and repatriating those funds to the shareholders, then leaving a UK business;
- a revised forecast was being prepared; we had been comfortably ahead of budget until this point;
- Our strategy on Postmaster losses needed to be reviewed. The Company had a policy and a process to recover losses from Postmasters; what we think we need to do in these situations is instigate the conduct of thorough investigations. Postmaster losses were becoming material for the Company and had the capacity to hurt Postmaster remuneration. In August Postmaster losses were [IRRELEVANT] we had budgeted [IRRELEVANT] We cannot afford this. We had been hoping that we would not start actively disputing Postmaster losses until we were off Horizon however on these numbers we could not wait. We could have lots of tactical conversations



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Management did not think that this was an issue that could wait. EJ queried whether there were any themes around the losses. AC advised that a common theme was a Postmaster distributing money and then recording it as zero. When we rolled out NBIT in 2024 we would go into branches and count everything on the day we did the change-over so nothing historical was carried into NBIT. SI queried who would do this. NR queried whether this needed to be an independent. EJ shared his view that this would not need external verification and could be completed with the Postmaster. AC advised that we would need to prepare over the next 12 months to undertake this activity;

- branch numbers were quite good, and it was mostly outreaches that had been closed.

The Chair asked if MJ or NB had any points they wished to contribute. NB advised that we presently had comfortable head room. MJ noted the volatility on mails however banking performance remained strong.

The Chair called for questions. ZP observed that the numbers on PUDO were tiny. MJ replied that this was due to delays and getting devices working. NR advised that management were on this.

5.2 Working Capital Facility Increase

TABLED and **NOTED** was a report, 'Working Capital Facility Increase for peak trading period FY22/23'.

AC spoke to the paper advising that, given conditions, the request was coming slightly early this year, as opposed to in previous years when the request was made around Christmas.

BT queried the nature of the approval sought; was it approval to reduce the buffer if and when required or was it approval to reduce the buffer now. AC replied that the reduction in the buffer from **IRRELEVANT** could be implemented now. With strike action and the impending peak management were attempting to make sure no Postmasters were carrying a really dangerous level of cash. SI queried whether management were monitoring this and assisting. AC replied that they were. SI queried whether reporting on this was undertaken. NR replied that it was, then the team reviewed the reporting and acted. EJ queried whether we were looking at recirculating our cash to the ATM networks. AC replied that we would like to do this, however it would cause an issue on the Bank of England facility, although this was something which we could likely resolve. SI commented that on the cash counting front he had been trialling some Glory counting machines and these were game changing. In addition, the new ATMs were phenomenal; customers liked the new machines, and these were much easier to fill.

The Chair called for questions. There were no questions.

The Board **RESOLVED** to **APPROVE** the delegation of authority to the Group Chief Financial Officer and the Group Financial Controller, to authorise temporary increases in the level of the £950m BEIS Working Capital Facility for the period 27 September 2022 through 31 January 2023.

A short recess was taken between 14:25 – 14:31.



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6. Three Year Strategic Plan Overview and Risk Tolerance Considerations

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

- (i) 'Three Year Plan';
- (ii) 'Accelerating the Network Strategy';
- (iii) 'Mails 3YP';
- (iv) 'HMBU Cost Challenge'; and
- (v) 'Risk in the 3YP'.

TM joined the Meeting at 14:30.

AC outlined the paper, advising as follows:

- What was sought from the Board today was high level alignment on the challenges and an appreciation of the decisions to come. Decisions in relation to the 3YP would be sequenced over the 2 Board Meetings in November and December;
- We have seen quite clearly that the Company is not going to remain viable if we keep going on as is, and there is no way we can finesse this. We need to tackle this head on and forcibly;
- To get more support from government we need to demonstrate self-help. We had made this point to the shareholder and the shareholder had in turn made this point back to us;
- Management still had more work to do – the paper represented a hypothesis not a plan;
- one of the things worth enforcing was that it was the **IRRELEVANT** **IRRELEVANT** that is, it is a cash measure fundamentally and that creates a simplicity about how we focus our efforts going forward. Postponing **IRRELEVANT** will help. We are going to have to be sensible about this and we will take advantage of this where we can;
- the next 2 years look fundamentally differently to what we thought;
- on the basis of the submissions the business put in, in September, we would **IRRELEVANT** next year. The peak deficit is **IRRELEVANT** and we would go into **IRRELEVANT**. We need to make changes in the cash flow now to deal with this. We need to be careful however as the numbers are quite volatile – for example the security headroom in P5 looks quite good however this needs to be matched against the compensation payments that will need to go out. We will update on these quarterly;
- the change in mails is the biggest change;
- the HMU spend has gone up significantly, with the budget submission detailing an increase of **IRRELEVANT** for HMU and the Inquiry;
- we were seeing higher costs on pay and inflation increasing materially;
- in relation to Postmaster remuneration, having falling Postmaster remuneration over the next few years did not feel right, so this has been increased although was not keeping pace with inflation;
- the paper set out a high-level hypothesis on how we could close this gap. AC spoke to each of the items including stopping Belfast Exit and the approach to NBIT. In relation to HMU the business submission was being challenged and we would have to insource things. On the Inquiry, the team has attempted to reduce the additional **IRRELEVANT** spend forecast, however we do not think we will be able to



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unpick this entirely given the Inquiry is going to run for a longer period than first thought;

- [illegible]



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The Chairman observed that the immediacy of solving for the gap was inextricably linked to defining the shape of a viable network. Putting aside historical issues, there were problems we were grappling with, particularly in that as the business of our main partner RMG went down, so did ours. The inescapable solution was that we needed to reduce our cost base. This seemed to be premised on achieving 2 key elements, firstly whether we would be able to [IRRELEVANT] then secondly articulating the [IRRELEVANT] [IRRELEVANT] If government required a bigger network, then the shareholder would need to pay for that. We needed to run a commercial network; the [IRRELEVANT] [IRRELEVANT] These are the self-help measures we could take. BG queried whether the Board was satisfied that a debate on the insurance business was called for. It was agreed that a discussion on the [IRRELEVANT] business was required. The Chair cautioned that the Board needed to be very careful that we did not have a repeat of the sale of the telecoms business.

AC advised that the 3YP and accompanying decisions would be brought back to the Board in November, then in December, with approval then sought from the shareholder.

LH queried whether in the 3YP we were trying to [IRRELEVANT] NR replied that [IRRELEVANT] and asked TM to speak to this, as there was a political overlay here. Before passing to TM NR spoke briefly to the timeframes for the policy review and shared his view that the shareholder was not exactly running at the exercise; no Chair had been appointed as yet. TM detailed phase 1 and phase 2 of the policy review and noted that the intent would be to consult from Spring next year, although the timetable had not been complied with to date, particularly in relation to the appointment of the Chair. There was a risk that once the Chair was appointed that they may wish to do things differently. In relation to the [IRRELEVANT] [IRRELEVANT] LH observed that we would need to make some difficult decisions in respect of the 3YP ahead of the policy review. TM took the point however advised that this would create a catalyst for the necessary conversations.

AC advised that the issue that was adding a lot of urgency was NBIT; if we were going to close down [IRRELEVANT] counters it would be helpful if we didn't roll out NBIT to them.

EJ queried whether we were [IRRELEVANT] however others were not. [IRRELEVANT] could potentially be in strikes for another year. [IRRELEVANT] [IRRELEVANT] with us.

AC advised that he did not propose to go into the supporting papers unless anyone wished to. There being no desire expressed to consider the supporting papers AC moved on to the risk tolerance paper, stating that to execute a plan that looked commercially acceptable we were going to have to take a lot more risk and a lot more risk in the network. This was going to be incredibly noisy. What would be helpful would be feedback from the Board on the proposals and the calling out of any red lines. SI advised that a red line in his view was the potential to reduce the current [IRRELEVANT] [IRRELEVANT] Postmasters had adhered to the rules for a number of years, so how would it look if this was changed now. AC replied that if we don't do this then we would be unable to realign the remuneration. TM queried whether it was format type that was the issue; for example, if a Postmaster had a main, then we would assume they wouldn't want a main introduced within the proximity or was it that they would not want a Drop & Collect. SI replied that they would not want either.



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LH raised the risk in relation to [IRRELEVANT] AC advised that it was [IRRELEVANT] [IRRELEVANT] LH shared her view that she thought that it was incredibly dangerous to [IRRELEVANT] [IRRELEVANT] BT advised that his concerns were around IT risks also, and that it seemed to him that it would be much better to shrink [IRRELEVANT] CS noted that she had IT concerns as well, particularly in relation to [IRRELEVANT] [IRRELEVANT] AC advised that if we rolled out NBIT to the scale the Retail team would like it would cost another [IRRELEVANT] AC noted that there was a suggestion that the training could be prepared inhouse, however this had been pushed back on. EJ queried the cyber risks in relation to NBIT. AC replied that the proposal was that we were [IRRELEVANT] y over the next couple of years on [IRRELEVANT]

The discussion turned to HMU matters and AC noted that one of the difficult decisions to come was in relation to late applications and how this would be administered. BT queried how costs could be pushed down in relation to the Inquiry. NR advised that he was in dialogue with BF on this, and that the quality of the HSF team was not what we needed it to be. We needed something more operational to assist us in the next 15 months. This was a question that we knew we needed to answer.

ZP shared her view that when we spoke to BEIS as shareholder that we would need to use a different voice, cautioning them that we would not be a going concern if the mails trajectory continued. Once we have a plan, we needed to have a different conversation with Postmasters and that voice needed to change as well.

The Chairman drew the discussion to a close. TM, MJ and NB left the meeting at 15:27.

7. Mails 3YP

OW and NO joined the meeting at 15:28. A paper was provided in the meeting.

OW introduced the paper advising:

- the team were looking to get under the skin of the 3YP in relation to Mails;
- the boost in volumes for mails during covid had fallen away;
- when looking at RMG what was very clear was that RMG was only going in one direction and that the pay dispute was worsening as time went on. It was assumed that this pressure would continue for the foreseeable future. It was not only the industrial action however, there was an active risk to the investor, and they had restructured. There was a query whether RMG would be able to deliver their USO. Some of RMG's business was going to their competitors;
- the current circumstances raised whether we would need to take more actions on cost base in the 3YP and illustrated the [IRRELEVANT]

[IRRELEVANT]

BT queried whether we had any sense of what the government's interaction with RMG was. OW replied that we did not have any intelligence on this although we had asked. The scrutiny BEIS was applying was only 10 days old, however they would be worried about delivery of the USO. ZP queried whether the team could do some more work on war gaming. **ACTION** OW replied that the team had included some materials on this in the pack for the Board Strategy Day in July and that the team would need to come back on this.



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OW passed to NO. NO advised:

- he wished to look at the 3YP in terms of Mails and why that had changed in the latest version versus the previous submission;
- he would also speak about RMG and what the team were doing to sure up the relationship;
- the mails business was facing into some extreme challenges including the decline in mails post covid, migration to sales online away from in branch, disintermediation from RMG, and that falling away of the international market due to Brexit and customs declarations. Given these challenges the latest 3YP showed a different trading profit from mails;
- There were 3 key reasons, the first one being that we were working off the wrong baseline, there had been an assumption that levels post pandemic would remain however levels had dropped back down. ZP queried whether this was just because we were in an economic crisis; that is, if we looked at a 5-year period would this unwind. OW replied if the pandemic period was removed, then then trend looked pretty stable. We had flat lined for the outer period of the 3YP, and we thought that this was appropriate. The cost-of-living crisis may conclude earlier so the trading may not be as bad, however. BG referenced other businesses operating in this market, and, that whilst we were seeing trading ease off, other businesses were retaining earnings from the covid period, which suggested the issue is with IRRELEVANT NO agreed with this and advised that RMG were simply losing market share;
- Moving to the second reason, this was the extent of disintermediation by RMG, who were desperately trying to find ways to sell outside Post Office, for example by collecting from homes;
- The third reason was the change in international which had had a huge impact on our business particularly parcels. The mails team were currently looking at solutions with RMG to try to digitise the customs declaration;

The Chair referenced the incremental mail from non RMG sources and queried how much of the aggregator was built into the revised figures. OW advised that this was fully built in. We were trying to build a new business in this respect and the benefits would be from years 3 and 4. It was hard to escape the conclusion that in the short term that there was not much more we could do. It was very hard to model the travails of the current RMG who had fixed cost issues the same as us and they had not invested in automation.

ACTION OW noted that in the July Board Strategy papers the mails team had included numbers for the outer period, however this work would be revisited to understand what an Armageddon situation might look like.

OW/NO

The Chair queried, whether, given the USO, if government controlled the fortunes of RMG. The problem was that the fortunes of both the Post Office and RMG were driven by the same issues. BT shared his view that there must be war gaming going on within BEIS, as they were going to have to deal with this and the USO. AC advised that there had been high level discussions with RMG about putting the businesses back together, however the industrial issues had to be resolved. EJ shared his view was that the problem was that Joe Public thought that the Post Office was RMG. On strike days the Post Office was losing business as people thought that we were closed. NR replied that he thought that the Company was quite busy online in terms of communicating the message that we were open. EJ continued, that if the industrial action was ongoing, we needed a better strike strategy.



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The Chair provided an overview, advising that if we looked at this from a market perspective, that society was simply not very interested in letters, and that we had a very unhealthy market that relied on USO and a very ineffective method of distribution. We could be revolutionary and say that a big chunk of this activity is not needed and change that marketplace. The knock on of this would be what did we need the Post Office for and how would it make money. We needed to re-shape the Post Office so that it was less **IRRELEVANT**. We needed to extrapolate forward and determine what was the shape of the Post Office in 5 years and then make the changes for this today. OW agreed with this and advised that the mails team were doubling down on implementing the strategy and would report back to the Board before the end of the year. EJ queried where the work in relation to the online aggregator was up to. NO provided an update advising that there had a lot of progress and that Parcels to Go were very interested. OW advised that the mails team would likely have a pretty good idea of where this was at by the end of the next month. BG queried the potential time for launch. NO advised that we still looking at Q3 next year and that the team were working on procurement. EJ exclaimed at this and queried whether we were going to lose a year in execution. OW replied that the mails team were going to implement as quickly as they could. LH and SI both expressed concern on the timeline.

The Chair called for further questions. There being no further questions OW and NO left the meeting at 15:59.

CS queried whether there were any aspects of the mails strategy could be brought to fruition prior to Christmas. NR advised that the GE would look at this Thursday. LH shared her view that she did not think that the online piece was that technical. BG advised that the proposed implementation period was a lot longer than he was expecting.

8. Belfast Exit

TABLED and **NOTED** was a paper, 'Belfast Exit Programme'. ZM and JS joined the Meeting at 16:02. The Chair spoke briefly to the paper and advised ZM and JS that they should take the paper as read.

JS outlined the paper. Key discussion points were as follows:

- CS noted that there was no fail over plan. We had not tested, and we needed to do this. CS referenced the scope that would need to continue in relation to NBIT, and that we needed to ensure that this was sured up;
- CS queried what our plan B was, if we didn't get there in 2025. CS advised that she would reluctantly support the proposal however CS had a number of concerns including the lack of fail over testing and engagement with Fujitsu. **ACTION** In response to CS's first concern in relation to the fail over plan, ZM advised that the team had commenced the fail over plan yesterday and should have an update on this at the next Board Meeting in November. In terms of how we were engaging with Fujitsu, Fujitsu had put in place mechanisms for retention through to 2025, however ZM thought that if by 2023 it did not look likely that we would be exited by 2025, that that could make a difference to Fujitsu and that we could have some further leeway with ZM;
- CS raised a further concern being the accounting treatment and that we would likely have a large write off on this investment and queried whether there would be public cost issues;

ZM



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- BT shared his view that he felt that we were getting the worst of every option here, unless it could be established that we can hit March 2025, and the team appeared reluctant to give this assurance. NR responded that ZM was not reluctant. AC advised that the de-risking of NBIT would be returned to the Board; proposals such as removing lottery from our product set were being worked on by ZM and the team;
- ZM advised that whilst difficult decisions would need to be made so as to deliver NBIT in March 2025, if we could not exit Belfast in 2023, the likely cost to stay would be circa [RELEVANT] JS provided a breakdown on the [RELEVANT], being service fees for Fujitsu, as well as an upgrade for the centres. BT noted that the team were assuming that Fujitsu would continue to provide the services on the same basis that they were doing so currently. AC clarified that if we went to Fujitsu and asked them to extend beyond March 2025, if we assumed that they could be persuaded this would be a cost of [RELEVANT] then there would also be further capital investment in the data centres as they are so old, which we thought would be approximately [RELEVANT] So, the spend would present [RELEVANT] for the first year, then [RELEVANT] for very year thereafter. BT advised that he was trying to balance these costs against the costs of [RELEVANT] to complete; it seemed that we were being told it was too risky and expensive to remain and that seemed right, however the outer limit of [RELEVANT] expenditure to complete was [RELEVANT] The Chair pointed out that this amount had not been verified. BT noted this and advised that he did not think the Board had full visibility here. AC advised that if we continued with [RELEVANT] there was no guarantee on cost or time so this would not obviate the risk of having to extend with Fujitsu;
- The Chair shared his view that we needed to look at the deliverables for March 2025 and ascertain what was the least risky way to get to that point. What concerned the Chair was our track record on previous projects. AC replied that NBIT was scheduled to commence roll out in February 2024, then to be fully rolled out in throughout the balance of 2024;
- EJ queried whether we would receive any funds back from [RELEVANT] JS advised that we would not, and that we needed a strong relationship with [RELEVANT] to deliver the relevant scope for NBIT. LH noted that discontinuing the Belfast Exit would not be good news for [RELEVANT] their pitch had been that they would crack what [RELEVANT] could not;
- **ACTION** ZP advised that she wished to have more clarity on the economics of the proposal and asked for a separate session on this. **ACTION** AC noted this, and that management would need to return with a roll out plan and committed to arranging sessions for these for the end of next month; ZM
ZM
- **ACTION** ZP queried whether we were sure that we were not giving our successors a problem on inflated operations costs and asked that management come back on this. The Chair agreed and noted that this represented a large element of our cost structure. The Chair advised that when we were imposing a large amount of change the benefits needed to be significant. ZM advised that we could not stay indefinitely on Horizon. LH contributed that we needed to take responsibility in house; ZM
- **ACTION** The Chair asked for further details as to the risks and outcomes associated with the options; bad decisions were sometimes made because the alternatives were not fully understood. AC agreed that when the matter was returned to the Board that the team would include this analysis. The Chair emphasised the importance of understanding the other options. ZM

The Board **RESOLVED**:



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- (i) the cessation of the Belfast Exit programme be and is hereby approved, save to the extent necessary to continue with scope required to deliver NBIT;
- (ii) the reinforcement of the legacy data centres be and is hereby approved;
- (iii) [IRRELEVANT] programme funding for October be and is hereby approved to enable programme activity to be wound down and Belfast fortification and components shared with NBIT to be implemented.

Fujitsu Contract Extension

TABLED and **NOTED** was a paper, 'Request for Delegated Authority to execute the final 1-year extension of the Fujitsu Horizon Services'.

JS spoke briefly to the paper, advising that an extension in respect of the data centre contracts with Fujitsu would be required also, and that this would be brought to the next Board meeting.

The Board **RESOLVED** that the following be and are hereby **APPROVED**:

- (i) The exercise by the Company of the final 1-year extension of the Fujitsu Horizon Services Agreement for the period 1 April 2024 – 31 March 2025;
- (ii) The issuing of notice to Fujitsu in respect of the extension; and
- (iii) Signing of the notice to Fujitsu by any Company Director or the Company Secretary.

SPMP Funding Request

TABLED and **NOTED** was a paper, 'SPMP Oct 22 – Jan 2023 drawdown'.

The Chair called for questions. LH queried whether there was anything different we could do on key employee risk. ZM replied that he had 3 FTE concentrating on this as well as external resource. LH queried when it would be possible to see the new counters. ZM replied that this would be possible shortly and Directors could view the new counters in the model branch.

The Board **RESOLVED** that the following be and are hereby **APPROVED**:

- (i) the programme funding of [IRRELEVANT] for the planned deliverables from October 2022 to January 2023 [IRRELEVANT] Capex and [IRRELEVANT] Exceptional); and
- (ii) the programmes' end date be moved from 31 March 2024 to 31 March 2025 with a new set of key milestones.

ZM and JS left the meeting at 16:44.

9. Historical Matters

9.1 Historical Matters Unit Update

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

- (i) 'Historical Matters Programme Update';
- (ii) 'HMBU Finance Update';
- (iii) 'HSS Pre-Offer Funding October 2022'; and
- (iv) 'HSS Post-Offer Funding October 2022'.



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SR and BF joined the Meeting at 16:45.

SR proceeded to speak to the papers advising as follows:

- The total number of overturned historical convictions was now up to 81;
- On HSS the team had passed the 80% target of offers out by the end of August. The team were on a trajectory to deliver 95% of offers out by the end of October although this would be a stretch;
- The ENE process conducted before summer break was a success and delivered a good outcome. The process had seen good behaviours and had been very collaborative. The process had given us a template to implement against;
- On detriment 1, suspension payments, we were waiting for HM Treasury to make a decision;
- On OHC we were moving from a negotiation approach to the mediation approach;
- On detriment 2, outstanding balances, there remained a lot of work to be done;
- Pre-offer and Post-offer funding for October had been approved by way of delegated authority. Further funding approvals would be requested for November.

The Chair called for questions. EJ commented on the high calibre of the process and the HMU lead team.

9.2 Public Inquiry Update and Funding Request

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

- (i) 'Post Office Horizon IT Inquiry: Update';
- (ii) 'Briefing Note on the Inquiry's confidentiality undertakings'; and
- (iii) 'Horizon - Opening Statement'.

FC joined the Meeting at 16:53 and KG at 16:54.

9.3 Inquiry – Opening Statement

Confidential: to discuss legally privileged advice

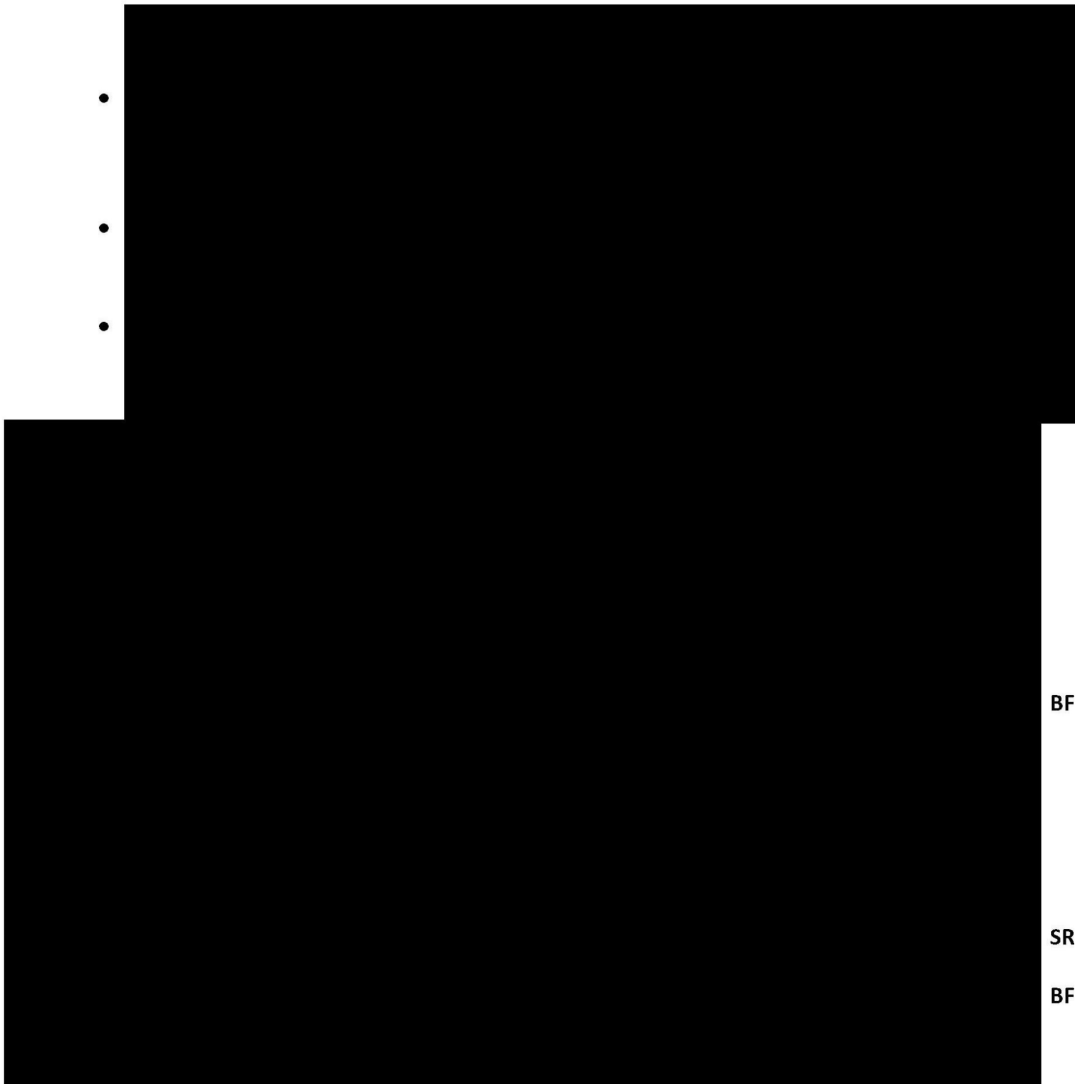
BF provided an overview and that he would take the draft Opening Statement as read. BF introduced KG and advised that KG was in attendance to answer any questions on tone or specifics in relation to the draft Opening Statement.

KG advised that:

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The Board **RESOLVED**:

- (i) That the form of the Company's Opening Statement to the Inquiry and submission thereof in the form tabled be and is hereby **APPROVED**;
- (ii) to **DELEGATE** authority to the Company's Group General Counsel and Inquiry Director to make any minor amendments to the form of the Opening Statement tabled; and
- (iii) that funding in the amount of £1.8m funding for October be and is hereby **APPROVED**.

BF, KG and FC left the Meeting at 17:11.

10. Approval Requests

10.1 Procurement

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



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- (i) 'Procurement Report';
- (ii) 'Appendix A - CCS Procurement Gas and Electricity for POL Estate'; and
- (iii) 'Appendix B - SPMP Branch Point of Sale (POS) Equipment and Peripherals award'.

The Board **RESOLVED** that:

- (i) The award of a contract for Gas and Electricity Supply for DMB's, Secure Warehouses and Administration Centres for mainland UK via CCS Framework RM6011 – Supply of Energy and Ancillary Services on a 24-month contract commencing April 1 2023 with a total value for the call off in the vicinity of IRRELEVANT be and is hereby retrospectively **APPROVED**;
- (ii) the form of the Electricity and Gas contract, being the standard form Crown Commercial Services Framework RM6011 – Supply of Energy and Ancillary Services contract (the 'Contract') be and is hereby retrospectively **APPROVED**; and
- (iii) any one executive Director and/ or the Company Secretary be authorised to sign the Contract.

11. Noting Papers with no Presentation

11.1 Health & Safety Report

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

ACTION EJ noted the revised approach in relation to Covid set out in the Report and queried whether this was going to be shared with Postmasters. AC advised that it would be.

AC

11.2 POL Control Framework

TABLED and **NOTED** was a paper, 'DRAFT Internal Control Framework'.

CS spoke briefly to the paper advising that the paper had been considered by the ARC.

11.3 Improvement Development Group Update

TABLED and **NOTED** was a paper, 'IDG Update'.

11.4 Pensions – Augmentations to RMPP

TABLED and **NOTED** was a paper, 'Project (Pensions) Assurance – Post Office Section Royal Mail Pensions Plan (RMPP)'.

The Board **RESOLVED** to **APPROVE** any 2 executive Directors or an executive Director and the Company Secretary be authorised to execute the Memorandum of Understanding between the Company and Royal Mail Pensions Trustees Limited in the form provided.

11.5 Common Issues Judgement/ Horizon Issues Judgment Dashboard

TABLED and **NOTED** was a paper, 'Common Issues Judgment Dashboard P5'.



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11.6 Investigations

TABLED and **NOTED** was a paper, 'Post Office Investigations: Next Steps'.

The Chair called for questions. LH advised that she thought the approach was sensible however queried the tone of the paper. ZP advised that J Bartlett was very experienced and competent. BT agreed with this and shared his view that J Bartlett was the right person for this.

12. Noting and Governance Items

12.1 Officer Changes

TABLED and **NOTED** was a paper, 'Officer Changes'. This matter was dealt with previously in the Meeting during the Chair's update to the Board on the work of the Nominations Committee.

12.2 Committee Memberships

TABLED and **NOTED** was a paper, 'Appointments to Board Committees'. This matter was dealt with previously in the Meeting during the Chair's update to the Board on the work of the Nominations Committee.

12.3 Sealings Report

The Board **APPROVED** the affixing of the Common Seal of the Company to the documents set out against items number 2146 – 2155 inclusive in the Seals Register.

12.4 Future Meeting Dates

The future meeting dates were **NOTED**.

12.5 Forward Agenda

The Forward Agenda was **NOTED**.

13. Any Other Business

There being no other business the Chairman declared the meeting closed at 17:15.

14. Date of next scheduled meeting

1 November 2022 10:00 – 14:25.

Tim Parker

-----01/11/2022-17:27
Chairman

Voting Results for Board Minutes from 27.09.2022 (approved on 01.11.2022)

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	01/11/2022 17:27