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UKGI-BP-753



UK Government
Investments

Company No. 9774296

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(the “Company”)

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Paper for the Board of Directors

Topic: Progress update on implementing preliminary lessons learnt from UKGI’s internal lessons learnt into Post Office and the Horizon IT system

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Executive Summary

Since November 2021, the UKGI Inquiry and Corporate Governance teams have worked closely to implement a suite of thematic lessons learnt that were identified in the preliminary internal review into POL and the Horizon IT system drafted by UKGI Legal¹ and endorsed by the UKGI Board. Enhancements have been made to our Portfolio management through a combination of training and updated Portfolio practices.

The Board are asked to provide any reflections on the progress made to date and next steps.

Overview

Board members are encouraged to re-familiarise themselves with the internal review reminder circulated in the reading room on 21 September 2023, which includes UKGI’s POHIT Inquiry Opening Statement from October 2022, and the internal review from November 2021. The Board may recall that UKGI’s POHIT Inquiry Opening Statement

¹ ¹ The internal review is legally privileged and confidential.

contained 5 thematic lessons learnt. The preliminary internal review contained approximately 15 thematic lessons learnt exploring issues in a more granular manner, which UKGI has not shared externally given these are initial reflections.

The UKGI Inquiry and Corporate Governance teams have consciously sought to ensure that the Board's approved preliminary lessons learned contained within the internal review should not stay static whilst UKGI waits for the outcome of the final report from the Inquiry, particularly given our commitment to continuous improvement in the performance of our shareholder representative role.

Notwithstanding the sensitivities of the internal review², which means that we have not been able to widely disseminate internally, we have or will have (a) disseminated the lessons learned to our Shareholder NEDs and (b) embedded the lessons in our working practices across our Portfolio management focused on two core inter-related areas:

1. **Updated Portfolio practices** which are reflected in our refreshed Portfolio Operating Principles (POPs)³. The updated POPs are due to be published internally in November 2023 with changes disseminated in a mandatory training session for all shareholder teams and Shareholder NEDs on 21 November 2023. Amongst other updates, the POPs now contains guidance on the range of ways in which Shareholder NEDs and Shareholder Teams can be more interventionist where governance red flags are appearing in Assets as well as the forums for enhanced discussion of these issues.
2. **Targeted enhanced training and know how** has been developed and rolled out to improve colleagues' know-how in particular areas and to disseminate the updated Portfolio practices, for example on whistleblowing and handling of material litigation.

To date we have delivered 12 bespoke training sessions on the lessons learned topic areas for our Shareholder NEDs and teams, with a further one to be completed by the end of 2023 and two more by the end of this financial year. In addition to this, the Shareholder NED development programme continues to provide professional development throughout the year on a range of topics as required, including those identified in the Internal Review.

Further detail on the progress to date and planned next steps against each of the thematic lessons can be found in the **Annex**.

Next steps

We will continue to reflect on the enhancements that can be made to our Portfolio practices and internal training, development and know-how as the Inquiry progresses and our understanding of Horizon issues develops. UKGI will also have the opportunity to supplement the reflections and lessons learnt offered to the Inquiry in a Closing Statement.

Key question: Do the Board have reflections on the progress made to date and next steps?

² In particular, they concern matters which are live and subject to the POHIT Inquiry.

³ The UKGI Portfolio Operating Principles are an internal document that sets out UKGI's target shareholder model.

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UKGI-BP-753

Annex: Preliminary lessons learned - progress to date and next steps

| Lesson | Targeted enhanced training delivered | Updates to Portfolio practices |
|---|---|--|
| LESSONS LEARNED IN RELATION TO GOVERNANCE – BROAD OBSERVATIONS | | |
| Whistleblowing | <ul style="list-style-type: none"> • Focused whistleblowing training for shareholder teams in December 2021 and December 2023. • Targeted Shareholder NED development sessions held in November 2021 and June 2023. • Enhanced Shareholder NED induction introduced, including options for further escalation and intervention. • Annual mandatory whistleblowing training to be provided. • All staff POPs training session on 21 November 2023 to include references to this lesson. | <ul style="list-style-type: none"> • POPs updated to include whistleblowing as a core policy Asset Boards should be reviewing. • High level guidance and best practice provided on how to examine the sufficiency of an Asset's whistleblowing policies and procedures in the Whistleblowing Guidance Note published in July 2020 and updated in May 2023. |
| Culture of our Assets | <ul style="list-style-type: none"> • Organisational culture and purpose training for shareholder teams provided by McKinsey in September 2021. • Further training on culture delivered by Slaughter & May in November 2021. • Shareholder NED Chatham house rules session held on 24 November 2021 to share experiences and lessons learned, led by Andy Duff. A second session held on 2 February 2022 focused on the softer Shareholder NED skills. • All staff POPs training session on 21 November 2023 to include references to this lesson. | <ul style="list-style-type: none"> • POPs updated to include promoting and challenging Asset's effective corporate culture. • Organisational culture and purpose Guidance Note published in September 2021 providing high level guidance to shareholder teams and NEDs on how to promote and challenge Asset culture. |
| Cultural Attitude toward Horizon and Postmasters | <ul style="list-style-type: none"> • All staff POPs training session on 21 November 2023 to include references to this lesson. • Future Shareholder NED session to be organised in 2023/24 to share the Internal Review, Opening Statement, and enable a thematic discussion on this lesson and others identified. | <ul style="list-style-type: none"> • This more specific lesson is not suitable to be included in the target shareholder model and does not require an update to Portfolio practices. |

OFFICIAL-SENSITIVE

UKGI-BP-753

| Lesson | Targeted enhanced training delivered | Updates to Portfolio practices |
|--|--|---|
| Assets and operational independence | <ul style="list-style-type: none"> Enhanced Shareholder NED induction introduced, including options for further escalation and intervention. This more specific lesson will be built into the Future Shareholder NED Session and a separate all-staff training when appropriate. | <ul style="list-style-type: none"> POPs updated to include a section on how to manage issues that may require further escalation or intervention. We have introduced 'Peer Support Sessions': which are effectively ad-hoc portfolio reviews focussed on a specific area where a Shareholder team warrants additional support. |
| Clear Delineation between Policy and Shareholder Roles | <ul style="list-style-type: none"> All staff POPs training session on 21 November 2023 to include references to UKGI's role in sponsorship and the importance of the clear delineation between policy and shareholder roles. | <ul style="list-style-type: none"> Externally communicated documents provide best practice on the importance of delineation between the policy and shareholder role. This includes the paper on Arm's Length Bodies: the case for them and how to optimise their use. POPs updated to include that UKGI should seek clarity on the delineation between the shareholder role and departmental counterparts. A Guidance Note on the role of UKGI in ALB sponsorship provides further detail including a diagram of suggested activities across all government sponsor roles. |
| LESSONS LEARNED IN RELATION TO GOVERNANCE – PRACTICAL SUGGESTIONS | | |
| Legal Privilege | <ul style="list-style-type: none"> UKGI Legal ran training on the importance of legal privilege in 2019. Further training provided by Eversheds in mid-2022. | <ul style="list-style-type: none"> Shareholder NED appointment letters updated to include the sharing of information with UKGI. The template for Asset Framework Documents has been updated to include the requirement for Assets enter into information sharing protocol in instances of material litigation. |
| Independent Investigation and Mediation | <ul style="list-style-type: none"> This more specific lesson will be built into the Future Shareholder NED Session and a separate all-staff training when appropriate. | <ul style="list-style-type: none"> This more specific lesson is not suitable to be included in the target shareholder model and does not require an update to Portfolio practices. |

OFFICIAL-SENSITIVE

UKGI-BP-753

| Lesson | Targeted enhanced training delivered | Updates to Portfolio practices |
|---|--|--|
| Support for Shareholder NEDs and Teams | <ul style="list-style-type: none">• Corporate Governance Development Framework launched providing mandatory and additional L&D opportunities for colleagues.• Shareholder NED specific Development Framework launched including peer learning sessions and professional development days.• Internal forums have dedicated sessions to discuss learnings and share know-how including at NED forums and the Corporate Governance Group.• Enhanced Shareholder NED induction introduced, including options for further escalation and intervention. | <ul style="list-style-type: none">• Portfolio Review process enables Shareholder NEDs and teams to raise challenging issues to a peer forum. The process now includes Portfolio Review Peer Support sessions which can be convened as required to tackle particular issues.• POPs updated to include a section on how to manage issues that may require further escalation or intervention. |
| Board Access to Key Advice – Legal and Non-legal | <ul style="list-style-type: none">• This lesson was promoted in the Magnox lessons learned presentation to UKGI in late 2019. UKGI Legal re-ran Magnox lessons learnt with the NDA team and some reflections on updated findings in Dec 2022.• This lesson also included in new guidance on material litigation handling.• This more specific lesson will be built into the Future Shareholder NED Session and a separate all-staff training when appropriate. | <ul style="list-style-type: none">• This more specific lesson is not suitable to be included in the target shareholder model and does not require an update to Portfolio practices. |
| Skill set of Asset's Boards | <ul style="list-style-type: none">• All staff POPs training session on 21 November 2023 to include references to this lesson. | <ul style="list-style-type: none">• POPs updated to include that UKGI may encourage an Asset Board to make further appointments where additional or specialist skills are required, or to appoint a Board Adviser. Each Asset has an extended Portfolio Review once a year to focus on the calibre and skillset of the Board. |

OFFICIAL-SENSITIVE

UKGI-BP-753

| Lesson | Targeted enhanced training delivered | Updates to Portfolio practices |
|--|---|---|
| LESSONS RE-LEARNED IN RELATION TO LITIGATION | | |
| Oversight of the litigation | <ul style="list-style-type: none"> This lesson was included in the Magnox lessons learned presentation to UKGI in late 2019. UKGI Legal re-ran Magnox lessons learnt with the IRRELEVANT team and some reflections on updated findings in December 2022. This more specific lesson will be built into the Future Shareholder NED Session and a separate all-staff training when appropriate. | <ul style="list-style-type: none"> POPs updated to include that UKGI should encourage Assets to report material litigation in a transparent and regular manner. The HMT MPM Framework Document templates have been updated to include UKGI Legal template language to facilitate enhanced reporting on material litigation as well as information sharing arrangements. Guidance Note on how to manage material and strategic litigation was published in 2020 and updated in August 2023. |
| Asset's legal capability | <ul style="list-style-type: none"> As above. | <ul style="list-style-type: none"> POPs updated to include that UKGI should have a constructive relationship with the Asset General Counsel. Also, that UKGI may encourage an Asset Board to make further appointments where legal capacity is identified as an additional or specialist skill required. |
| Litigation Strategy and Mitigation of Legal Risk | <ul style="list-style-type: none"> As above. | <ul style="list-style-type: none"> As above. |
| The Importance of Multiple Legal Opinions | <ul style="list-style-type: none"> As above. | <ul style="list-style-type: none"> As above. |
| Challenging an Asset on its Choice of Legal Adviser | <ul style="list-style-type: none"> As above. | <ul style="list-style-type: none"> As above. |