



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 28 MAY 2019 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 11.30 AM

Present:	Tim Parker	Chairman (TP)
	Alisdair Cameron	Interim Group Chief Executive Officer (AC)
	Ken McCall	Senior Independent Director (KM)
	Tom Cooper	Non-Executive Director (TC)
	Tim Franklin	Non-Executive Director (TF)
	Shirine Khoury-Haq	Non-Executive Director (SK-H)
	Carla Stent	Non-Executive Director (CS)
In attendance:	Veronica Branton	Head of Secretariat (VB)
	Jonathan Lewis	Head of Strategy and Corporate Development (JL) (items 5.3 & 5.4)
	Ben Foat	General Counsel (BF) (item 7.)
	Alan Watts	Herbert Smith Freehills (AW) (item 7.)
	Debbie Smith	Chief Executive - Retail (DS) (items 8. & 9.)
	Owen Woodley	Chief Executive – FST&I (OW) (items 8.,11. & 12.)
	Cathy Mayor	Finance Director - Retail (CM) (item 8.)
	Colin Stuart	Finance Director – FS&T (CS) (item 8.)
	Emma Springham	Chief Marketing Officer (ES) (item 8.)
	Mark Siviter	MD – Mails & Retail (MS) (item 9.)
	Chrysanthy Pispinis	Director - PO Money (CP) (item 11.)
	Henk Van Hulle	Business Innovation Director (HvH) (item 12.)

ACTION

1. Welcome and Conflicts of Interest

A quorum being present, the Chairman opened the meeting. The Directors declared that they had no conflicts of interest in the matters to be considered at the meeting in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.

2. Appointments

The Board **RATIFIED** the appointment of Alisdair Cameron as Interim Group Chief Executive Officer with effect from 5 April 2019.

3. Minutes of Previous Board meetings including Status Report

The Board **APPROVED** for signature the minutes of the Board meetings held on 19 November 2018, 23 January 2019, 18 March 2019, 20 March 2019, 25 March 2019 and 30 April 2019.

Progress with completion of the actions as shown on the action log was **NOTED**.

The PCI Compliance Update was **NOTED**. The paper would be discussed at the Audit, Risk and Compliance Committee meeting on 29 May 2019.

The paper on the postponement of Belfast Exit Plan was **NOTED**.

Al Cameron reported that the team were confident that they could switch off one data centre as a test to see that it would switch over to the second data centre. This test was due to take place over August Bank Holiday. Failure of both data centres had not occurred at any point during their operation.

The following points were raised:

- it was difficult to correlate the original benefits and the revised position. It would be helpful to understand the costs associated with the work now needed and how much the refresh would cost. It was reported that part of the conservations with Fujitsu was how we avoided significant costs during the deferral period
- that we should check if every component would be shut down as part of August data centre shut down test.

Exec

**To do:
Exec**

4. CEO Report

AC introduced the report and highlighted a number of points:



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- the BEIS Select Committee Inquiry had been a helpful opportunity to present the important messages for Post Office on issues such as the proposed review of Postmaster remuneration. However, the environment was testing. There were a number of attacks on the PO brand through the group litigation and with the Horizon trial about to resume; the Daily Mail campaign to "Save our Post Offices"; continued opposition in some quarters to franchising DMBs; and, the case brought by 123 Postmasters on employment rights. We needed to undertake a review of Postmaster remuneration which provided sustainable solutions. Ideally, an announcement would be made in November 2019 for introduction in April 2020, however, this might need to be fast-tracked depending on publicity and disquiet surrounding the Horizon Trial. It was reported that the Minister would welcome us issuing an early message on our intentions on agent pay even if this were not for immediate implementation. We needed to maintain a good relationship with the Minister and try to get more meeting time with her. It was noted that our positioning needed to be clear. For example, we did not consult on whether or not to close a DMB but on the service requirements for the new branch. The practical impact of the group litigation on the running of the network was limited currently. More money would be going to Postmasters in October 2019. The vast majority of Postmasters were self-employed but we still needed to consider employee status at living wage level as an option for a small number

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Irrelevant

A number of points were raised, including:

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Irrelevant

5. **Finance**

Irrelevant



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Irrelevant

5.4 Plan Update

AC introduced the paper and noted, as discussed under the Change Funding Report, that it no longer seemed appropriate to seek to implement the £3m additional challenge that had been discussed at the Board meeting on 30 April 2019 because of the focus on accelerating support for agents. The plan was in the UKGI/ BEIS review and approval process. The parameters for the bonus threshold and stretch performance would need to be discussed at the Remuneration Committee meeting later in the day.

A number of points were raised, including:

- whether the measures we were proposing to support agents addressed the issues that were of greatest concern to them? It was reported that the changes would enable stock ordering on Horizon and we were building further capability into Branch Hub. Coin ordering could already be done online. We wanted to reduce errors in the system because this was beneficial to all parties. We would be gathering more branch data and sharing that with the branches. We still did not know whether most of the errors were coming from a small part of the network or not. We were not good enough at getting things right first time and we were not providing enough support for new branches currently. We needed to make it much simpler to run a PO and Horizon operating on the Postmaster's till would mark a significant step forward
- whether we were getting enough insight from other franchises? It was reported that we were employing more people from franchises which was helpful as many networks faced similar challenges; however, we were different to most franchises in that PO services we usually an adjunct to another service



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- it was noted that we needed to think about which services required an individual to go to a physical location and where that would remain true in 5-10 years' time as this would affect our acquisition strategy
- that we should consider reviving the idea of submitting a paper to Cabinet Office exploring the role POL could play, included with the NHS and in digital identity.

The Board **NOTED** the paper.

6. Annual Report and Accounts

AC introduced the paper. PwC's audit was well progressed but determining how to account for the potential outcomes of the group litigation was complicated. From an accounting perspective, it was difficult not to include a provision but we had no numbers from the claimants on which to ground such a figure. We were working closely with PwC and our lawyers to agree an appropriate form of wording.

Impairment tests meant that PO Insurance might not hit its EBITDA figure.	Irrelevant
Irrelevant	

A number of points were raised, including:

- that PwC had been thorough in their work, including measures such as stock counting in branches, and fewer adjustments were coming through
- a general consistency check was requested because the figures referenced for mails growth differed
- the CEO and Chairman's statements needed to be refined.

To do:
Exec

The Board **APPROVED** the Annual Report and Accounts 2018/19 and **DELEGATED SIGNING AUTHORITY** to the Chairman and Interim CEO, subject to the completion of PwC's work and review by the ARC at its meeting on 29 May 2019.

7. Group Litigation Update (subject to legal privilege – do not forward)

Alan Watts introduced the paper and he and Ben Foat updated the Board on recent developments. We had 21 days to make an application to the Court of Appeal (CoA) for leave to appeal and would be instructing Helen Davies, QC, to represent us. HD was highly regarded and experienced in this field. A call and a meeting had taken place with HD and she had advised that we should not pursue a "recusal light" approach. It was recommended that we concentrate on the matters of greatest importance to POL, namely, the relational contract and good faith elements of the Judgment. The grounds for appeal were being revised this week and would be shorter, pithier and more focussed.

The Managing Judge had decided to award costs on a trial by trial basis. He had reduced the amount POL had to pay in respect of the claimants' costs for the Common Issues Trial by 10% to reflect the points on which they had lost and we would not be paying on an indemnity basis. POL now needed to transfer £5.5m to a solicitor's account, which would be payable once the Appeal had concluded. It was reported that the recusal costs were around £300k¹. The Board **RESOLVED** to authorise the payment of the legal costs associated with the claimants' costs for the Common Issues Trial and the recusal application.

The Managing Judge had firm views on the case and it was likely to be difficult to move him from that position. Lord Justice Coulson had deemed Lord Justice Fraser to have been fair minded in his Judgment of the Common Issues Trial so the terms of the decision refusing permission to seek the Judge's recusal was not a surprise. However, the Judge would be able to see our new approach to the case with our new QC. We needed to pay much more attention to strategy and to tone. It was also noted that implying duties of good faith in quasi partnerships would cause problems for others as well as PO.

A number of points were raised, including:

- what was Helen Davies' first view of the case? It was reported that her initial view was that we had good grounds for success on relational and good faith points and on the terms which the Judge had found to be implied by a duty of good faith. These were points on which the CoA was likely to be interested. HD was not minded to appeal on all points as some grounds were weaker than others which could tarnish our stronger points. It was also better to avoid making the grounds too long
- whether there was anything further we could do to influence the outcome of the Horizon trial? It was reported that Fujitsu's witnesses had not been strong, while POL's had been satisfactory. Only the expert witnesses had yet to provide evidence and it was important that they did not renege on their previous position that Horizon was a robust system. It was critical that Horizon was seen as a robust system today. It

¹ The recusal costs would be circulated. It was noted that a 10% reduction in fee had been obtained from Lord Grabiner and Lord Neuberger.



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was likely that the expert witnesses would say that the system had bugs. This was not in dispute but the issue was the degree to which it was a robust system that could be relied upon and that there was nothing in the Judgment that suggested the system was unfit for purpose today. We had looked at the testing of the system and what the issues had arisen over the period of time covered by the case

- whether there were any case precedents? There were no direct precedents but there were other cases linked to system failures
- how would the fact that the vast majority of Postmasters had not experienced problems with the Horizon system be factored into the Judgment? It was thought that this would make it harder for the Managing Judge to say that there had systemic problems with the system but he could say that each case needed to be looked at to test whether there had been a system error in that case
- a workshop on the Horizon system was taking place. It was noted that there had been a useful call about one of the cases and it was helpful to get under the skin of the facts and test what had happened and whether we had any culpability.

The Board **NOTED** the paper.

8.

Irrelevant



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8.3 Marketing Report

Emma Springham introduced the report which would be included with future quarterly business reports. A current focus was on brand and data. New brand material would be modern in look and feel but we also needed to work backwards in some cases to refresh leaflets in branch. Discipline and control were required to achieve consistency and ES had the right of veto and governance and guidelines were being put in place. We needed to choose the right partners for our brand and take opportunities to use our partners' data. We were working to have a data strategy in place within the next six months. Social media had moved into ES's team. Postmasters need our support, guidance and tools to assist them when engaging with social media.

Brand strategy work continued. Everything had to link together and flow. Getting this positioning right was fundamental as we moved from products to propositions, set out our brand values and established the pillars behind our propositions. The theme we kept returning to was community.

We had split out the marketing and digital functions but ES and Henk Van Hulle worked closely together and had aligned incentives.

A number of points were raised, including:

- what shape was our data in and what were we doing to improve it? It was reported that we had a marketing database but did not have any feeds coming in. We were working on getting the data into the right format but needed to optimise it. We were not currently discussing use of partner data with our partners but were considering recruiting a role to support this work. The best way of managing data and whether this should be in-house or drawing on external expertise was discussed. We needed to work out what data was most important to us and store that internally. At the moment we did not employ data scientists but it was noted that if we were to we needed to be able manage and retain them and needed individuals who could commercialise the data not just cleanse and manage it.

The Board **NOTED** the report.

9.

Irrelevant

10.

11.

12.

Irrelevant

13.

Irrelevant

14. **Governance Report**

The Board:

- **APPROVED** the following **DELEGATED AUTHORITIES** for financial spend:
Chief Executive Officer (up to £5 million);
Chief Finance Officer (up to £4 million);
Group Executive Members (up to £2 million); and,
Group Executive Members to have authority to sub-delegate up to the limit of their delegated authority.
- **APPROVED** the list of authorised signatories as set out in appendix 2 of the paper
- **APPROVED** the affixing of the Company Seal as set out in paragraph 4.5 of the paper



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- **NOTED** the Nominations and Remuneration Committees' evaluation of performance against their terms of reference. The ARC would be reviewing its evaluation at its meeting on 29 May 2019
- **NOTED** the information held on the register of interests
- **APPROVED** the Conflicts of Interest Policy.

15. Items for Noting

15.1 Sealings

The Board **APPROVED** the affixing of the Common Seal of the Company to the documents set out against items number 1760 to 1781 inclusive in the seal register.

15.2 Health and Safety Report

The Board **NOTED** the Health and Safety Report.

15.3 Future Meeting Dates

The Board **NOTED** the future meeting dates.

15.4 Forward Agenda

The Board **NOTED** the forward agenda.

16. Date of next meeting

30/31 July 2019.

GRO

23/9/19

Chairman

Date