POL00163726

POST OFFICE LIMITED BOARD MEETING
Strictly Confidential and Subject to Legal Privilege – DO NOT FORWARD

MINUTES OF A MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON TUESDAY 26 November 2019 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 11:45 AM

Present:	Tim Parker	Chairman **(TP)**
	Nick Read	Group Chief Executive Officer **(NR)**
	Ken McCall	Senior Independent Director **(KM)**
	Tom Cooper	Non-Executive Director **(TC)**
	Tim Franklin	Non-Executive Director **(TF)**
	Alisdair Cameron	Group Chief Financial Officer **(AC)**
	Zarin Patel	Non-Executive Director **(ZP)**
In attendance:	Veronica Branton	Company Secretary **(VB)**
	Helen Davies QC	**(HD)** (Item 7.)
	Alan Watts	Herbert Smith Freehills **(AW)** (Item 7.)
	Ben Foat	General Counsel **(BF)** (Items 7. & 9.)
	Robin Nuttall	McKinsey **(RN)** (Item 8.)
	Stuart Shilson	McKinsey **(SS)** (Item 8.)
	Mathieu Halpin	McKinsey **(MH)** (Item 8.)
	Debbie Smith	CEO – Retail **(DS)** (Item 10.)
	Mark Siviter	MD – Mails **(MS)** (Item 10.)
Apologies:	Carla Stent	Non-Executive Director **(CS)**

Action

1. Appointment of Non-Executive Director

The Board **RATIFIED** the appointment of Zarin Patel as a Non-Executive Director of Post Office Limited for a period of three years from 26 November 2019 to the nearest Board meeting three years from that date.

The Board **APPROVED** the appointment of Zarin Patel as a member of the Audit, Risk and Compliance Committee.

2. 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.

Zarin Patel informed the Board that she was independent member of the HM Treasury Board.

3. Minutes of Previous Board meetings including Status Report

The Board **APPROVED** the minutes of the Board meeting held on 23 September 2019.

The Board **NOTED** the action log and status of the actions shown. The paper on ensuring compliance with dangerous goods transactions was **NOTED**. Post Office was the first line of defence, not the last line of defence but we still had work to do to improve compliance with checking the contents of parcels with customers. It was noted that branches had a laminated sheet showing information on restricted goods but it was not a straightforward set of restrictions.

4. Committee updates (verbal update)

4.1 **ARC**

Carla Stent had provided an overview of the main items discussed at the meeting and the actions arising. Al Cameron mentioned that there had been a number of discussions on issues where progress had been made but the matter had not been resolved such as Joiners, Movers and Leavers (JML) and contract management. The Committee had also had a further discussion on PCI compliance and the Ingenico service. The Committee had congratulated the business on there being no outstanding audit actions while noted that there had also been no green audits.

POST OFFICE LIMITED BOARD MEETING
Strictly Confidential and Subject to Legal Privilege – DO NOT FORWARD

4.2 **Remuneration Committee**

Ken McCall provided an overview of the topics discussed at the Remuneration Committee meeting held before the Board meeting:
LTIP/ STIP rules – last year Government had requested that the Remuneration Committee exercise discretion to consider reducing management bonuses because of the impact of the group litigation on the business. The LTIP and STIP rules had since been reviewed to ensure they reflected market practice within listed companies and were internally consistent. The documents should be fully aligned at end of this exercise
Bonus design proposal - for 2020/21 we were intending to stipulate a target where 70% was linked to trading profit and 30% to cash and change spend, controls and delivery of benefits. A tighter definition of what this entailed was going to be drafted and circulated to the Committee for approval.
The 2020 - 23 LTIP would be finalised after the completion of the Purpose Strategy and Growth (PSG) project. Threshold and targets had been discussed. We needed to achieve the right balance to set measures that were challenging while incentivising people to strive to achieve those targets
Equal pay – Pinsent Masons had carried out an equal pay audit to assess our equal pay risks; they had reported that we were in a good position for a company of our size. "Like work" (work that is the same or broadly similar) and "equal value" (equal in terms of the demands made) had both been considered. Nine roles had been identified where on a "like work" basis there is a 5% difference in pay and where there is no known/obvious non-discriminatory reason for the difference in pay; these would be assessed further. We had assessed roles of equal value using the Hays job evaluation methodology but did not propose any further tests at this stage
Remuneration advisers - PWC would step down as our remuneration advisers in March 2020. The firm had a programme in train to focus on audit only for their FTSE 350 clients. We had started the tender exercise to select new remuneration advisers.

5. **CEO Report**

Nick Read introduced the report and provided updates on a number of issues:

- *Operating rhythm* – the new range and patterning of meetings was designed to drive accountability. The weekly trading performance meetings had begun. It was proving difficult to get the right data and to distil this down; however, the right people were involved, driving the right conversations. The 10@10 weekly sessions with the CEO had begun. These were broken down into company performance, current issues, celebrating successes and questions. GE meetings continued. The monthly operations meetings and the customer plan meetings had not yet started. These were being split deliberately because of the relative immaturity of the business. The former was about driving efficiency and the latter about growth
- *Key business updates* – NR had met with Carl Cowling, the new CEO at WHSmith. Building this relationship and others with major partners would be important. CC saw WHSmith as the hub of the high street and franchises with Costa, M&S, Post Office etc. were central to this strategy. CC was keen to take on more PO franchises but had not previously been aware of WHSmith's poor performance compared with Post Office's other partners and DMBs. WHSmith were intending to invest heavily in the States and in their travel business
- *The new identity proposition* was promising. It only included passport processing at the moment. It was agreed that we would check and confirm to Tom Cooper whether AEI enabled more than passports to be processed **To do: executive**
- *ATMs* – Bank of Ireland were withdrawing their provision of 2,200 ATMs in the Post Office network. We were working on our strategy for which of these ATMs we wished to maintain. This linked into the wider automation strategy for branches and the need to avoid piecemeal work in this area
- We were considering how to accelerate the last wave of *DMB Franchising*. This would allow us to consider the shape of the franchise network as a whole
- The *British Gas contract* had been signed and the business was getting ready to deliver the service from 1 December 2019

POL00163726

POST OFFICE LIMITED BOARD MEETING
Strictly Confidential and Subject to Legal Privilege – DO NOT FORWARD

- The *Agents' pay* announcement had been well received
- NR had visited a branch in Leicester that was part of the *hothousing programme*. Egremont was supporting Post Office with this work because area managers had only been in post for six months. We needed to understand "a day in the life of" and "a week in the life of" area managers. Progress was being made
- There was still time for a second ballot for *strike action* to be called which would allow industrial action to take place at Royal Mail before Christmas. We were awaiting the outcome of RM's appeal against the first ballot. The timeframe in which a PO strike could be called before Christmas had elapsed
- We were 4-5 weeks into the *PSG* process. We were in the discovery phase but were beginning to narrow down the options and the picture should be much clearer by mid-December. An additional Board meeting had been scheduled for 19th December 2019. It was agreed that we should not lose time if decisions were required but would need reading time if this were the case. If decisions were not required we should review whether the meeting was required. In either case Directors would be able to dial into the meeting if they were unable to attend in person.

A number of points were raised, including:

- That the Board needed to understand the Ingenico situation and that we were encountering difficulties in progressing our plans to achieve PCI compliance. Nick Read would need to go to Paris to meet their CEO. The current state of play was not acceptable and we did not have a satisfactory plan to achieve compliance within the previously agreed timeframe. It was noted that Shikha Hornsey, CIO, had visited Ingenico in Paris and Ingenico had stated that we were an important client and that our work was being prioritised but that this was not being translated into action
- Whether the procurement process for a new ATM provider was already underway? It was confirmed that this was the case and that the financial benefits associated with a sizeable number of these ATMs was better than we had expected. We wanted to understand the reasons for BoI withdrawing from this market fully to make sure we were not overlooking any element.

The Board **NOTED** the report.

6. Financial

6.1 Financial Performance Report

Al Cameron introduced the report and highlighted a number of issues:

- Performance in P7 had been slightly better than in P6. Discretionary spend was being restricted. The Insurance and Telecoms businesses were still under pressure and Mails and Banking were performing as expected. We could also improve performance in-year by not undertaking aggregator work in Insurance and Telecoms
- Telecoms – PJT Partners, our advisors on the potential sale of the Telecoms business had advised us to postpone the sale until after the general election. If we were going to sell the business we needed to be focussed on obtaining the maximum price. Driving longer term cost efficiencies became less critical if we decided to sell. We would been meeting PJT Partners again this week. It was noted that we were required to inform Fujitsu of the approach we were going to take by 17 February 2020 if we had not agreed a contract extension in advance of this date
- There had been underspend in Change, much of which was deliberate and linked to tightening our business case approvals
- The position with Cash had returned to normal
- We were planning to include more narrative in the Financial Performance report to Board but dispense with the slide deck as part of the pack. The slides would still be produced for internal use and could put in the Reading Room. Tom Cooper requested the inclusion of the slide which **To do: AC**

POST OFFICE

POST OFFICE LIMITED BOARD MEETING
Strictly Confidential and Subject to Legal Privilege – DO NOT FORWARD

- showed the status of larger projects.

A number of points were raised including:
- That an overall summary of the positives and the negatives which focussed on the big business lines would be helpful. We also needed a better understanding of the root causes of problems, what action we could take and whether the matter resolvable. We needed to understand trends better and what was happening with the key business streams, for example with Travel Money it would be good to know whether we were experiencing a decline in-line with the market or if we were losing market share. It was noted that this kind of analysis was part of the focus of the quarterly performance reports for FST&I and Retail
- That there were too many business lines for a company with a £1bn revenue. This meant that we were overstretched and unlikely to understand our competitors well enough.

6.2 Cash Management and Facility Management

Al Cameron introduced the paper and provided a summary of the main considerations. He noted that the total earned as a combination of EBITDA and network subsidy had not changed greatly over the last few years. We had borrowed significant amounts to fund investment for periods of time while we had the headroom. We had been achieving cash efficiencies but now needed to understand the line by line detail on working capital. The Bank of England (BoE) had promised to review the Note Recirculation scheme to see whether it was suitable for the future.

We could manage within the facility headroom and drive further cash efficiencies but this did not help us with the security headroom because this was limited to the cash in the network, client liabilities and the IRRELEVANT liability. Cash efficiencies reduced the cash in the network and therefore the security headroom. We were trying to minimise our borrowing period and the longer vault opening hours agreed by BoE meant that we should be able to remove both sets of REMs entirely on a working day. We also should be able to fund a potential GLO settlement (within the assumptions proposed) from within the headroom facility but this would make our security headroom very limited. One option to consider was negotiating an exclusion of the IRRELEVANT liability from the security headroom. We were also analysing the figures associated with retaining cash from RBS for a longer period at a fee but this would effectively be borrowing. If one of the big bets was focussed on automation of the network we could consider asking Government to allow us to create some investment funding.

It was reported that IRRELEVANT These organisations would then provide a service to Post Office out of these depots. Such as deal would be controversial with the unions and there was a risk that service costs would increase over a period of time. However we could generate savings for each depot. Tom Cooper noted that ministers were likely to have a view on such a deal and that would need to be factored into our thinking.

A number of points were raised, including:
- one option was to explore how we defined the security headroom as HM Treasury would not want these funds to be regarded as borrowing. It was thought worth having a further conversation with IRRELEVANT but unless they were prepared for that liability not to be included in the security headroom it would not be worthwhile having this conversation with HM Treasury
- the likelihood of us selling the Telecoms business was increasing but this capital would be offset by the potential costs associated with a GLO settlement
- a more detailed account of the cash flow through the business and more information on working capital was requested. **Action: AC**

The Board **NOTED** the progress made on cash and facility management.

6.3 Borrowing Limits

Al Cameron introduced the paper and noted that we were unlikely to need to reduce the buffer headroom but that it was prudent to have the option available.

The Board **APPROVED** a derogation to draw the Government Loan up to £850 million (i.e. to reduce

POL00163726

the headroom buffer from £200 million to £100 million), subject to approval by the CFO, for the period from 27 November 2019 to 2 February 2020.

7. Group Litigation Update – subject to legal privilege

Ben Foat provided an update on the Group Litigation:

- the embargoed judgment on the Horizon Issues trial was likely to be handed down this week. We would activate our Horizon contingency planning
- the first mediation would take place on 27 and 28 November 2019. The Postmaster Litigation Subcommittee had recommended to the Shareholder approval of a settlement of up to £48m with a mechanism in place for seeking approval of up to £65m. Shareholder approval for *Group Litigation November 2019 Mediation Parameters* had been confirmed by letter on 25 November 2019
- the statements of fact for the Further Issues trial had been signed
- the decision not to allow an appeal hearing on the Common Issues trial judgment was disappointing but reaffirmed our revised litigation strategy.

Alan Watts reported that the claimants' funders were seeking to obtain three times their costs before starting to make pay outs to claimants (i.e. the funders were seeking £45m for their £15m investment). The claimants' starting position for settlement was £145m upwards but the difference between the parties was not unusual at this stage. The claimants' solicitors had not analysed the claims to be able to underpin these figures and had concentrated on the post-termination losses. We had looked at the individual cases and that might assist in reducing the numbers gap between the parties. The mediators had been focussed on the 26 months which had been the fee paid to postmasters exiting as part of the network transformation programme. We had a further meeting with the mediator this evening and were clear on our strategy and financial limits.

Helen Davies QC reiterated the disappointment at the decision on appeal. There were a number of points that were clearly of relevance for the court of appeal and it was surprising that we had not been given permission to appeal on these grounds. We were entering unchartered territory but should assume that the Managing Judge would take a position that was as favourable as possible for the claimants within legal constraints. The more reasonable we were in our approach, the more likely we were to achieve a sensible outcome.

We now needed to implement the findings of the Common Issues trial in full. This would entail asking Subpostmasters to sign a new contract. This would be a focus of attention for the coming year.

The Horizon Issues trial judgment was expected to be adverse. The question would be the extent to which it was ruled that system bugs could have led to shortfalls and how we could prove system shortfalls if we could not rely on Horizon.

The judgment was likely to be handed down in the middle of mediation. We would not be arguing over liability and needed to advise the claimants why this was a deal they should consider. The duty of good faith and the notice period would be key issues. The Common Issues trial judgment had referred to a 12 month notice period but we could not be sure that this position would be maintained by the Managing Judge in subsequent trials. We would have a two to three month window to settle after the first mediation and would need to select the right lead cases for the next trial. Tier 1 and Tier 2 had already been identified.

The Shareholder letter approving the mediation parameters for settlement was discussed. The letter stated that "Shareholder approval is conditional on the settlement being fully funded by POL and has no bearing on any current or future subsidy agreement". Tom Cooper reported that BEIS had thought we were indicating that our funding of the settlement was dependent on future government funding and seeking a commitment to future funding which could not be given in advance of a spending round. It was confirmed that POL was not seeking a funding commitment in advance of the normal submission process but funding to deliver its SGEIs was part of its budgeting assumptions. POL and UKGI/ BEIS recognised that the starting point on debt was going to be higher and therefore the need for future financial support was more likely after a settlement of the group litigation order. In addition, while the letter stated that any offer above £48m (and up to the £65m limit) should only be made "if is ensures a final settlement takes place with all the claimants" UKGI/

POL00163726

POST OFFICE LIMITED BOARD MEETING
Strictly Confidential and Subject to Legal Privilege – DO NOT FORWARD

BEIS recognised that a settlement offer could not be made directly to the criminally convicted but it was understood that a global sum could be offered and the claimants could determine its distribution.

A number of points were raised, including:
- that we faced the operational challenge of implementing the changes required by the Common Issues trial judgment. We needed to be able to track this and should not be dilatory
- when issuing new contracts how bound were we by the Managing Judge's interpretation of the current contract? It was reported that we could specify the period of notice within the new contracts but would still have an overriding duty of good faith. We would need to think carefully about how we constructed the liability clause within the contract. We also needed to consider carefully how we on-boarded our Subpostmasters; they needed to be given enough time to understand the contracts prior to signature and the contracts needed to be written in plain English.

The Subcommittee **NOTED** the updates in the paper and the next steps to be taken in the litigation, namely:
- attend to the courts' decisions on the Horizon trial and not to allow an appeal on the Common Issues judgment
- filing Post Office's Defences for the Further Issues trial by 25 November 2019 (completed)
- attending mediation on 27-28 November 2019
- draw up proposed criteria for selecting Test Claimants for later trials.

8. Purpose, Strategy, Growth (PSG)

Robin Nuttall introduced the presentation which was split into five chapters. We were currently in the discovery phase of work and would be diving deeper into some of these work streams.

1. Where we make money
- McKinsey were presenting POL Finance data to identify implications for the big bets
- cash and banking were growth engines currently. Mails was holding its share. Financial Services made a strong contribution and our online channel was profitable
- we had fixed overheads of £82m for the majority of the central functions but some of our other overheads could be linked to products. Once this had been accounted for Mails became a smaller share of the fixed contributions and FS a higher share but we were also looking at how this would change in 2020/21 as agent pay increases started to flow through
- the FS contribution was set to decline over the next two years. Mails and parcels, cash and banking, telecoms, FS and Insurance would all remain core pillars
- Mails and locals branches were profitable in aggregate. Traditional branches lost money but we were working on moving these to the locals format
- the bottom two branch quartiles drove losses almost as great as profits from first two quartiles.

A number of points were raised, including:
- how had the costs been allocated in FS? For example, Travel Money was an integral part of our network. Were we painting an unfair picture of the mails position and allocating too high a cost? A minor reallocation of costs could change the apparent contribution of business lines. AC noted that this was why we focussed on direct contributions rather than net contributions
- that we needed to identify the permanent profit drivers
- we were too dependent on the Banking Framework and needed to find different footfall drivers
- that the information provided could not currently show us the gain from taking out loss making elements because we could not show how this impacted our fixed costs. The immediate focus would be on retaining a network of 11,600 but moving branches to better locations and formats (including outreach). It was helpful to be able to spread fixed costs over as wide a network as possible
- what was the premium associated with POL and RM being one organisation/ joint venture? It was noted that as a first step one would need to assume that RM would deal with union and efficiency issues. It would then be necessary to determine the strategic aims e.g. delivering

POST OFFICE LIMITED BOARD MEETING
Strictly Confidential and Subject to Legal Privilege – DO NOT FORWARD

- parcel shops
- we would need to address branch numbers and rationalise access to cash across the network as the demand for cash decreased. Government was likely to ask why we could not automate many of our services, which would be feasible but would require significant investment and understanding of how much cash servicing depended on a counter service. It was noted that it was cheaper for a retailer if they did not need a separate space in their store to run a post office. We could develop parcel shops and provide a range of additional PO services and consider how to deal with cash requirements. This would take us closer to the unmanned PO models in place overseas for which the technology was available
- that outreach services were not profitable but we had not identified a better way to deliver our SGEI requirements where there was not a bricks and mortar branch
- that some retailers adopted a suburban strategy rather than an urban strategy by geomapping suburban densities.

Action: McKinsey

The Board requested a relentless focus on direct contribution when assessing product or channel profitability. The way to improve contribution was to reduce overheads and therefore the contribution analysis could be misleading when applied to products and channels. It was **AGREED** that the information should be analysed from a direct costs and contribution angle.

2. Organisational Health Index (OHI)

Stuart Shilson explained that there were 9 health outcomes which underpinned the long-term health of an organisation, under which sat 37 management practices which drove long-term performance. An organisation's results could be compared to the rest of the database. Role clarity, personal ownership (including poor consequence management), strategic clarity and competitive insights should be areas of focus to move POL from the bottom quartile. Work on strategic clarity had already begun involving the Leadership Council. Innovation and learning had a low score, particularly from more senior people in the organisation.

A number of points were raised, including:
- that engagement scores had been modest at Post Office historically but with different patterns across different locations
- that we lacked clear accountability, which in turn meant that we did not penalise poor performance and lacked the right capabilities in some instances. Gaps in capability would need to feed into the big bets together with a clear understanding of the resources the organisation needed to deliver the strategy. We would need to be specific rather than, for example, say we were going to digitise.

3. Other posts

Robin Nuttall provided an overview of other postal providers and how they had developed their services. DHL had developed the concept of "winning the first mile". Parcel lockers had been successful in Germany but were less acceptable in the UK market. A number of postal providers such as Poste Italiane and Post Japan had developed successfully in financial services but were closer to being banks than a financial distributor like Post Office. An analysis of which postal providers had done well with FS, which had not and why, and the model they had adopted was requested.

Action: McKinsey

A declining letter line was the norm and postal providers had sought to develop a wide range of different revenue streams. Those initiates had generally failed where growth was outside the core and into adjacent markets. There had been a shift away from owned branches and Post Office was further ahead in this journey than most postal providers.

A number of points were raised, including:
- to what extent was the branch network involved in selling FS? It was noted that the regulatory requirements for selling FS products were much higher. We sold most of our FS products through an aggregator. We had disaggregated our FS products and were not getting as much customer value as we should

POL00163726

POST OFFICE LIMITED BOARD MEETING
Strictly Confidential and Subject to Legal Privilege – DO NOT FORWARD

- whether collection from the home was common? It was reported that this service had started but was not widespread. We should expect to see pick-up and delivery services coming together more
- changing the specification of the service obligation had to be part of our strategy to adapt to trends such as the declining use of cash
- whether Payzone should be part of this conversation if our big bets were going to include parcel shops which could be located in Payzone outlets
- not having a logistics arm limited some options for us
- we needed a strategy to get us to a critical mass in areas we saw as big bets.

McKinsey would provide information on the current position of BPost which had recently appointed a new CEO and were operating as a successful small post provider in Belgium. **Action: McKinsey**

4. Big Bets

Mathieu Halpin outlined the approach taken to generating ideas for big bets. These were evaluated on three dimensions: financial returns, ease of value capture and fit with the purpose of the Post Office. The big bets that passed these tests would be refined and further developed. Some proposals would not proceed, others might become small bets. The big bets fell into four categories: Optimise the product portfolio and grow revenues from the existing product categories; Transform the network and its operations to ensure its sustainability; Build technology and digital capabilities to support the business; Right-size the central functions. The Board session on 19 December 2019 would be focussed on big bets which would be refined over the next few weeks. **Action: McKinsey**

A number of points were raised, including:

- that we had not yet taken a view on whether we could modernise or replace Horizon **Action: McKinsey**
- it might be worth focussing the Board discussion on one big bet to be clear that we could execute this successfully and what this would require
- the Board would be making a strategic set of decisions so would need to understand the process of elimination of big bets and how that had been followed **Action: McKinsey**
- insurance felt like a big bet by definition and if not should we not be looking at disposal?
- we needed the business to deliver on the investment POL had made to promote its growth. It was requested that the insurance analysis was further developed and noted that we had previously discussed the idea of a partnership with an entrepreneur
- the business was diverse and complicated and needed to be streamlined. We needed to stop work on areas which were not core to the strategy.

The article on big bets would be circulated.

9. Framework Document and Articles of Association

Ben Foat introduced the paper. The description of the Shareholder Representative's role was largely agreed but we needed to be clear about executive and non-executive roles. The position on the application of Public Sector Pay & Terms (PSP&T) was also discussed. On 6 November 2019, UKGI had proposed including a separate appendix to the Framework Document (FD) on the PSP&T and the executive wished to confirm its understanding of the Board's view on the application of the PSP&T to POL. UKGI had advised how it thought POL needed to reflect the PSP&T in its current remuneration practices, principally by not offering private medical insurance (PMI) as a benefit in kind to new employees. Remuneration for staff below Board level remained a matter for POL. The £95k redundancy cap did not apply to POL currently but future legislation could change that position (and could apply retrospectively). This would have a significant impact on POL as it would affect many employees in the supply chain and impact on contractual rights. It was recognised the Government might introduce additional PSP&T requirements in the future or take a different view on how PSP&T applied to POL and this would be addressed as required at that time.

Tom Cooper offered to confirm UKGI's views on the wording Shareholder Representative's role and the position on the application of the PSP&T so that the Framework Document and Articles of Association could be finalised. He noted that the Framework Document would need to be approved by BEIS and HMT and formal agreement had not yet been obtained. **To do: TC**

POL00163726

POST OFFICE LIMITED BOARD MEETING
Strictly Confidential and Subject to Legal Privilege – DO NOT FORWARD

10. Royal Mail Update

Debbie Smith introduced the paper, noting that the negotiations with RM were continuing and that we had set out what would constitute a successful deal in the paper.

Mark Siviter provided an update on the negotiations. RM did not appear to have an alternative to continuing the arrangement with POL and discussions were focussed on how we would continue to work together. POL's key requirements for the contract were as set out in the paper but understanding and negotiating the detail of how each element operated in practice was important. We were entering an intense period of negotiations and seeking to lock down our position. We might need to seek agreement to a three month extension to the current MDA to be able to work through the detail on the new contract.

We were planning for our future digitisation and partnership options once areas of exclusivity had been removed from our contract with RM. Discussions had been taking place with Amazon with whom we had signed a Non-disclosure agreement. This information should help us understand the potential economic value of a partnership. We were not considering working with one of the small players.

A number of points were raised, including:

- how aggressive were we prepared to be in pursuing new digitisation and partnership options? It was reported that there were some gaps in our ability to deliver on potential options. It was requested that we map out these gaps and what we would need to do bridge them **Action: MS**
- what benefit was a three month extension to POL, could this not allow more time for the currently agreed elements to unravel? MS noted that if we could get to an agreement point without an extension we would request an additional Board meeting in January 2020 to discuss the deal
- that it would be helpful to understand what RM might do as a counter measure to our plans to work with other operators. We should also consider whether there might be complementary products between RM, POL and Amazon
- could the requirement to maintain a network of 9,000 branches be problematic for us at some point in the future and would it be better to be able to agree a reduction if we were likely to go below that figure? Was there also an issue about what constituted a branch? MS reported that dropping below 9,000 branches would result in a cut in the fixed fee.

The Board **NOTED** progress made with the negotiations and the proposed timelines.

11. Telecoms routers

The Board **APPROVED** the forecast capex spend of £5.56m on customer routers, which was £0.74m (15%) in excess of the budget amount which the Board had approved in April and May 2019.

12. Noting and governance items

12.1 **Health & Safety Report**

It was reported that we were trialling carry cases with glue which allowed bank notes to be destroyed in the event of an attack. There had been two attacks in branch during the last fortnight which had involved machetes. We were considering whether to roll out more fogging devices.

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

12.2 **Sealings**

The Board **APPROVED** the affixing of the Common Seal of the Company to the documents set out against items number 1842 to 1853 inclusive in the seal register.

12.3 **Future Meeting Dates**

The future meeting dates were **NOTED.**

12.4 **Forward Agenda**

The forward agenda was **NOTED.**

POL00163726

13. Date of next meeting

- 19 December 2019 (further PSG session). Requirement to proceed to be confirmed nearer the date.
- 28 January 2020.