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POST OFFICE LIMITED BOARD MEETING
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MINUTES OF A MEETING OF THE BOARD OF DIRECTORS OFPOST OFFICE LIMITED HELD ON TUESDAY 29 JANUARY 2019 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 11.45 AM

Present:	Tim Parker	Chairman **(TP)**
	Paula Vennells	Group Chief Executive **(PV)**
	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)**
	Carla Stent	Non-Executive Director **(CS)**
	Alisdair Cameron	Group Chief Financial and Operating Officer **(AC)**
In Attendance:	Jane MacLeod	Company Secretary **(JM)**
	Veronica Branton	Head of Secretariat **(VB)**
	Debbie Smith	Chief Executive - Retail **(DS)** (items 6 & 7)
	Owen Woodley	CEO - FS&T **(OW)** (items 6, 8 & 9)
	Cathy Mayor	Finance Director, Retail **(CM)** (item 6)
	Colin Stuart	Finance Director, FS&T **(CS)** (item 6)
	Martin Kearsley	Banking Director **(MK)** (item 7)
	Chrysanthy Pispinis	Director - PO Money **(CP)** (item 8)
	Will Nourse	Fenchurch **(WN)** (item 8)
	Meredith Sharples	Director – Telecoms **(MS)** (item 9)
	Rob Houghton	Group CIO **(RH)** (item 13)
	Jeff Lewis	CIO – FS & Digital **(JL)** (item 13)

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. RE-APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The Board **APPROVED**:

- the re-appointment of Ken McCall as Senior Independent Director of Post Office for a period of three years from 29th January 2019 until the Board meeting occurring approximately three years after that date
- the re-appointment of Carla Stent as a Non-Executive Director of Post Office for a period of three years from 29th January 2019 until the Board meeting occurring approximately three years after that date.

3. MINUTES OF PREVIOUS BOARD AND COMMITTEE MEETINGS INCLUDING STATUS REPORT

The minutes of the meeting of the Board held on 27 November 2018 were **APPROVED** and **AUTHORISED** for signature by the Chairman.

4. CEO REPORT

4.1 Paula Vennells introduced the report and invited questions.

4.2 A number of issues were raised, including:

- the impact of a Brexit "no deal" on data sharing. It was reported that the Information Commissioner's Office (ICO) had issued guidance on data sharing and as the data controller our data sharing requirements should not change, but that we were monitoring the position

- whether we remained on track with RM negotiations? It was reported that we intended to seek a mandate from the Board on RM at the March Board meeting. There had been no change in RM's priorities for the new contract. PV was due to meet with Rico Back in advance of the March Board meeting and it was thought helpful to continue these senior level discussions and keep a focus on our main priorities in the new contract. The same issues remained in discussion and it was noted that RM had issued a second profit warning today and shares prices had dropped by 10%.

4.3 The Board **NOTED** the CEO's report.

5. FINANCE

5.1 **Financial Performance Report**

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

- performance had been encouraging. Mails and banking were offsetting underperformance against plan from Telco and MoneyGram. The automation of the banking deposit process had driven up the volume of transactions
- poor budgeting of a number of staff costs would run to the end of the financial year; we were focussed on making sure that these errors did not happen again
- the new retail operations structure had been announced. The HR structure was being changed and the consultation on this would start later in the week
- the Telco margins were flattening out. The regulatory environment was tougher. The end of the Fujitsu contract and development of a different partnership model would improve our returns significantly. Current returns were not sustainable for a number of reasons which would be discussed under the Telco strategy item later on the agenda
- depreciation levels were higher than budgeted as estimates had not been sufficient. This had been the first year we had included depreciation figures in the budget
- higher staff costs had been driven largely by contractor costs on three projects that had not been budgeted for
- we had underspent the growth fund. Our hypothesis for the last two years had been that we are underspending on marketing and that the growth fund would bring the marketing ideas to life. This had not proved to be the case and Emma Springham, the Chief Marketing Officer, had been asked to force rank all marketing spend requests, including those for BoI. We were attracting people to the PO website but our conversation rates were insufficient and we were considering spending more on marketing in this area
- McKinsey had been engaged for a nine week period to help PO in the organisation design (OD) work that would drive the design of the operating model for the business post DMBs. It would be a difficult and changeable period in which we needed to be able to work as flexibly as possible and support the franchise network. For example, there are currently about 150 were employed in HR but we needed to outsource elements of work such as payroll which could be simplified if staff were on standard contacts. While costs needed to be cut, capabilities also needed to be built to allow us to serve clients and customers.

A number of points were raised, including:

- that there was a strong argument for investing more in marketing and getting a good return on this. This was an important strategic issue and the Board should have an in depth discussion on the marketing strategy at the most appropriate point during the year **VB to add to forward agenda.**
- it would be helpful to have more commentary on the growth fund. It was reported that we would not have a growth fund for the next financial year but would be investing more in the brand fund over the next few weeks
- that as we had discovered that McKinsey had been engaged on work for RM we should take a view on the risks of this, obtain confirmation that they were using completely different teams, and consider whether the McKinsey team should be stood down **To do: Executive**
- whether we should consider charging RM less for processing online transactions, especially as we wanted to set up our online operations quickly? **To do: AC to raise with MS**

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- network strategy and capability would be critical and we needed to understand how agile our network would be and have clarity on our network strategy over the next couple of years. We would be managing a franchise and the success of this would determine the long-term sustainability of the business. We needed a fundamentally strong mails business and a robust model
- it was requested that information on cash declarations be added back into the report It was reported that the levels were steady at around 90% **To do: AC**
- that it would be helpful to include commentary on the Payzone Bills Payment acquisition **To do: AC**
- it would be helpful to understand what one or two other POs or retailers were doing to make their network operations agile and drawing on technology to keep costs low. It was reported that this formed part of the McKinsey work
- that an interim update on Identity would be brought to the Board. **ME/ VB**

The Board **NOTED** the Financial Performance Report.

5.2 **Budget Update 2019/20**

Al Cameron introduced the report and highlighted a number of issues, including:
- that we had included assumed trading profits for 2019/20
- a conversation would be needed on tightening the range of profits that were included in bonus calculations
- major changes were reflected in the changed assumptions on trading profits but not minor BAU issues which we expected to work within. A "no deal" with BoI had been assumed as that had seemed the most likely outcome at the time
- we thought we should have a cost target
- senior leadership capabilities had improved but capacity remained an issue.

A number of points raised, including:
- that we would need to be rigorous on our commodity cost structure but with a number of additions and subtractions
- that we needed to understand the efficiencies that had to be driven, versus elements such as regulatory driven compliance requirements. We also needed to look at where we could eliminate or automate work. Central costs needed to reduce and revenue increase with more investment behind the brand. It was requested that our central costs were reported **To do: AC**
- whether granularity about products would be included in the budget. It was noted that that would be included
- that it was surprising that non staff costs were not going down. It was agreed that these costs should be coming down.

5.3 **UKGI Quarterly Report**

Al Cameron introduced the report and highlighted a number of issues, including:
- that less had been spent than forecast in Q3
- a number of material projects were not delivering the benefits we anticipated at the time we had anticipated. This included Project Everest through which we were changing some of our committed spend with Fujitsu from opex to capex and the rollout of new printer cartridges to branches. The latter had been designed to reduce costs and generate fewer calls while the opposite had been true because a message was being received that the cartridge was empty when it was not
- significant spend was associated with DMB franchising process. The benefits from this programme were flowing through but it continued to draw some public criticism
- that we did not include a contingency fund
- BEIS would be focussed on the £445m spend over the three year period. This was a cash flow forecast. It did not include some non-cash spend, the costs associated with the

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Postmaster litigation spend[1] and £26m that had not been spent from last year's budget. The £445m had been forecast based on what we thought we could invest in change without borrowing. That figure would be higher now because of higher trading profits.

- that the contract for Successfactors had been entered into speedily because of a licensing issue. It was an imperfect system and we did not think we needed the additional functionality available at additional cost. We were too small a customer for SAP to give us sufficient attention and while we would need to use the system for the foreseeable future we were not confident that they were the right long-term partner for us
- that the redundancy figure of £34m was higher than AC had expected and he would be scrutinising the figures.

A number of points raised, including:

- whether there had been challenges to test that the money could be spent during the quarter, to prioritise the requests and to make sure that the benefits were going to flow through? It was reported that this testing process took place at the Investment Committee
- whether the BEIS finance team were more comfortable with the reporting now being provided? It was reported that this was the case but that we had yet to work through the change prioritisation plan. AC noted that further work was needed on investable growth projects for next year. An insurance acquisition had not been included in the change fund and £6m had been included for Identity rather than the £9m which would have allowed us to more off the Digidentity platform in the short term.

The Board:

- **NOTED** the contents of the paper, including the approach of total change spend and the confirmations to BEIS
- **APPROVED** the request of £25.9m funding for Q4
- **DELEGATED AUTHORITY** to the CEO and CFOO to finalise the precise details and supporting documents with UKGI.

6. RETAIL AND FS&T QUARTERLY REPORTS

6.1 **Retail Report**

Debbie Smith introduced the report and highlighted a number of issues, including:

- that Mails income and banking had driven strong performance in P9. Home shopping returns were up 29% and click and collect up 44%, while some competitors had seen declines. Greater engagement in branches to drive customer care and targeting the 250 branches which had the highest volumes of parcels had supported growth
- automated transactions for RBS and Lloyds had driven up banking transactions and we hac on boarded two banks
- Payzone PB performance was currently adverse to budget; the Co-op resale was the main driver of this but we were addressing the issues with Allpay. Scottish power would go live as a client in June 2019 and a number of additional clients were in the pipeline
- RM had issued a second profit warning. Letters performance had been down 8% with GDPR and Brexit cited as the biggest drivers. UK parcels had been up 6%. The negotiations on the new contract were on-track and we would be meeting RM next week.
- DMB franchising was taking place at a rate of one branch a day. Opposition to franchising remained in some quarters with vociferous objections to the closure of the York and Kendle DMBs

[1] Discussions had taken place with Alex Chisholm, the Permanent Secretary at BEIS, during the summer of 2018 about the potential costs associated with the Postmaster Litigation.

- changes had been announced to the field team structure last week. Sales managers would have responsibility for approximately 100 branches, while area managers would have responsibility for approximately 10 branches. This was designed to drive performance by supporting agents. Branches would receive visits from area managers twice a year and data would allow them to target particular branches, for example where too much cash was being held or where a higher volume of calls were being made than the norm which might indicate a training requirement.

A number of points were raised, including:

- whether we had a views of the number of customers we lost because of queues? It was reported that to have a robust idea of this you would need to be able to measure footfall versus transactions. What we did know was that our wait times were coming down and that SSKs were working much better. Staggered posting dates at Christmas had also been helpful. We were seeking to improve performance further through automation and simplification. For example, the labels system we had introduced which drove efficiencies as well as bringing us younger clients. It was asked whether there were other ideas we could consider such as a "happy hour" with cheaper prices to encourage use of off-peak service?
- whether there would be a turnover target for agents? It was noted that a balance had to be struck here because we also needed to ensure compliance and avoid too much churn within the agent community which was costly. It was suggested that we could develop a view of what returns should be generated within a geographical area
- whether commons problems or themes could be reported back through the sales and area groupings and if resolving these would be part of the sales and area managers' objectives? It was reported that this was built into objectives and that we also wanted to identify strengths within PMs who could support and train other PMs. Ultimately we would like to be able to employ sales and area managers who had experience of running a PO
- which companies were benefiting from Paypoint losing business? It was reported that we did not have full figures for this yet but we knew that DPD were performing well and Yodel poorly
- how PO's 3% growth compared with the market? It was reported that it was too early to judge and that we still needed more data
- that it would helpful to have an update on where the Payzone BP numbers stood compared to what we had expected. It was reported that income from rail companies was £100k behind plan but that we had known this was a risk and had factored this into the acquisition price. We were beginning to design the TOM for Payzone PB
- whether the number of branch openings planned was too optimistic? It was reported that a clear plan was in place and that we were confident in delivering in all but 9 cases where we did not have an opening date yet; however, these dates should be confirmed by 9 February 2019
- a report back on Payzone BP branch performance and how we were driving this was requested after the first 6 months of trading. **DS**

6.2 **FS&T Report**

Owen Woodley introduced the report and highlighted a number of issues, including:

- that the next FS&T report to the Board would include the completed work on developing the FS&T Strategy. Pieces of strategy work were taking place in each part of the business, including insurance capability.
- FS&T was performing slightly ahead of the re-forecast. Savings had performed strongly. Travel money was broadly in line with expectations but Brexit was driving uncertainty in customer behaviour, as was the case for MoneyGram. Mortgages were a tough market in which to operate because of reduced margins

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- Telco. All players in the market was reporting downturns. We were proposing to invest in fibre as a protective measure
- general insurance was performing well but there were challenges for travel, which was affected by the general malaise in the travel market
- progress with the potential Ancile transaction had been delayed, partly because of the concerns about TIF, which was their underwriter. We needed to accelerate work on alternative acquisitions. Impaired travel was still a critical part of our pathway to being no 1 in travel insurance
- that Customer Hub numbers were significantly behind where we had hoped to be. The FRES app had been disabled in December 2018 and some customers had since migrated to the PO app. An analysis of Customer Hub was being brought to the March Board meeting. Identity proposition would be ready to add as a vertical in Customer Hub at the end of March 2019.

A number of points were raised, including:

- whether the problems with TIF were resolvable and could give us scope to purchase Ancile more quickly and at a lower price, noting the suitable fit of Ancile for PO's growth within the impaired health market. It was reported that we remained cautious because of poor responses from TIF to requests for data
- whether we had a macro view on whether Brexit would deter people from travelling? It reported that planning had been taking place to prepare for Brexit and that indicators such as a further profit warning from Thomas Cook, indicating delays in selling their holidays would have a knock on effect on travel insurance and travel money.

7. BANKING FRAMEWORK 2

7.1 Martin Kearsley joined the meeting and he and AC introduced the report highlighting that:

- discussions with the banks were moving in the right direction. Not all of the banks would be able to IRRELEVANT IRRELEVANT IRRELEVANT We were proposing a number of IRRELEVANT to address issues and concerns that had been raised by a number of banks
- MK had been having conversations with the big 5 banks almost daily and there was good interaction with each of the banks. We should have a clearer picture of banks' ultimate intentions in about six weeks' time. Any bank which decided not to move into Banking Framework 2 would need to have to informed their customers by 1 July 2019
- where banks did have to IRRELEVANT IRRELEVANT IRRELEVANT
- our overarching cash strategy was coming back to the March Board meeting and it was noted that ATMs was the hardest element of the strategy to resolve
- it was **AGREED** that a progress update on Banking Framework 2 would be provided in advance of the March Board meeting. **MK**

7.2 A number of points were raised, including:

- whether we thought the banks would ascribe much value to the IRRELEVANT we were proposing? It was reported that the different IRRELEVANT we were proposing for IRRELEVANT corporate customers was valuable. IRRELEVANT might be able to IRRELEVANT IRRELEVANT s. Overall, the approach we were taking was to show that we would listen, give the banks controls where we were able to and to demonstrate that we wanted to forge partnerships. We recognised that individuals were having to brief their senior executives to explain a IRRELEVANT and would want to be able to show that they have achieved some IRRELEVANT We did not think that the IRRELEVANT would alter fundamentally who

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choose to enter Banking Framework 2 or IRRELEVANT but would help to forge positive relationships going into the new Framework.

The Board thanked the team, and Al Cameron and Martin Kearsley in particular, for managing these discussions.

8. BoI PROPOSALS

8.1 Chrysanthy Pispinis, William Nourse and Owen Woodley joined the meeting.

OW provided an overview of the current position in the negotiations. The key contextual point was the change in the market in the last two years, leading to a IRRELEVANT in IRRELEVANT The proposals reflected this change but the deal would allow us to have a IRRELEVANT or in the near future was IRRELEVANT and were not able to IRRELEVANT IRRELEVANT

PO Limited was making sure that:

- the contract would state IRRELEVANT with anything else a IRRELEVANT
- we had an IRRELEVANT
- we had addressed the IRRELEVANT as far as possible.

A IRRELEVANT exercise had be carried out 12 months ago at which point it was estimated to be in the region of IRRELEVANT per annum. Last year BoI had provided further information on its additional costs and we now thought the IRRELEVANT to be in the region of IRRELEVANT per annum.

The points still being discussed and worked through were:

- the boundaries of IRRELEVANT though in essence we had agreed to IRRELEVANT
- the position on IRRELEVANT We had talked to potential partners within the wider financial services market and were in discussion with IRRELEVANT IRRELEVANT IRRELEVANT
- remaining points on alignment of interests, having already made good progress in this area
- IRRELEVANT BoI had increased their IRRELEVANT to address this in the last few days.

CP explained the governance that would be needed to ensure that the new contract operated appropriately:

- we recognised that IRRELEVANT if not governed appropriately. We needed to make sure that both partners were involved in delivering the different elements of the work. IRRELEVANT IRRELEVANT
- IRRELEVANT IRRELEVANT
- IRRELEVANT
- we needed clarity on how the contract would IRRELEVANT IRRELEVANT

8.2 A number of points were raised, including:

- that we could not IRRELEVANT IRRELEVANT but it was equally difficult to anticipate what might happen in the next few years

[2] We were discussing IRRELEVANT IRRELEVANT

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- what the difference was between the two scenarios set out in the paper and the IRRELEVANT? It was reported that BoI had provided us with a base scenario: IRRELEVANT mortgages. Our scenario was more conservative in both instances
- how confident were we in securing IRRELEVANT It was reported that we should IRRELEVANT such as IRRELEVANT and that the proposals we had IRRELEVANT
- that the incentives within the contract to IRRELEVANT It was noted that we needed to be able to regulate this IRRELEVANT through the IRRELEVANT and have an IRRELEVANT that worked
- that a IRRELEVANT and we needed to explore thoroughly the IRRELEVANT to have comfort that we could exercise it if needed. TC reported that BEIS were supportive in principle of IRRELEVANT IRRELEVANT, should that prove to be the best option. Discussions on this issue were about to start with HM Treasury. OW reported that the IRRELEVANT was hard to exercise in practice but that we were IRRELEVANT at a particular time or for a particular price. While there was no easy IRRELEVANT, reducing the IRRELEVANT and IRRELEVANT was beneficial. It was noted that a separate piece of analysis on IRRELEVANT was planned, including exploring the IRRELEVANT looking at what could be done to address the IRRELEVANT and achieving synergies through how the sales teams operated. OW stated that this work would be separate from reaching agreement with BoI on the wider deal on offer now
- whether there were suitable IRRELEVANT It was noted that a range of IRRELEVANT and that there would be a publically stated commitment to reduce these costs by IRRELEVANT per annum.

8.3 The Board supported management's recommendation to endorse the shape ofthe deal emerging with BoI and continue the negotiations including that:

- a new potential IRRELEVANT was a positive outcome in the context of the overall package and noting that there would be the potential for an IRRELEVANT on the mutual agreement of both parties, if the new IRRELEVANT IRRELEVANT to the partners
- the contract would include the opportunity to IRRELEVANT IRRELEVANT IRRELEVANT between the parties
- IRRELEVANT The Board did not IRRELEVANT on IRRELEVANT IRRELEVANT contractual IRRELEVANT as part of the work to develop a clear future strategy for Travel Money. This had the scope to lead to a IRRELEVANT IRRELEVANT and BEIS's support in principle for Government funding for such an option was noted
- progress had been made on IRRELEVANT with the likely outcome of IRRELEVANT IRRELEVANT

Management would revert to the Board with the final deal once Heads of Terms had been agreed.

The Board **RESOLVED** to **DELEGATE AUTHORITY** to appoint a new IRRELEVANT to the Chairman, Shareholder representative, Group CEO and CFOO.

The team was congratulated on their persistence through lengthy negotiations.

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9. TELCO STRATEGY

9.1 Meredith Sharples joined the meeting and provided an overview of the strategic options being considered for the Telco business. The Telco strategy had last been considered by the Board in mid-2017 at which point the development of the business and the enhancement of a number of our controls had been approved. Since then, the customer base, revenue and profit had grown. We had mitigated the risk of home phone regulation by developing a home phone and broadband base on ADSL. Telco was delivering £29 – 30 m of profit per annum, with a 1.6% share of the broadband market and the largest wholesale provider of broadband in the UK.

The market was changing rapidly and the strategic review had been prompted by the move from ADSL to fibre and with BT working to close down their copper ADSL network. The contract with Fujitsu would be coming to an end which gave us options for partnering or sale.

We were talking to key players in the market about partnering opportunities and potentially sale. We would be getting the business revalued formally. In addition, a paper was going to be produced for the March ARC meeting on how we had dealt with the Telco accounting error.

9.2 A number of points were raised, including:

- what was the prognosis for fibre? It was reported that fibre to the premise (FTTP) was a significant investment and that 4% of market was likely to have moved to this full fibre FTTP by 2023. 5G was a cellular overlay to this, but required the customer to utilise new equipment. Our proposed investment to secure an improved fibre offer for our customers was designed to protect the business over the next few months as we developed our longer term strategy. It would be obtained through our existing supplier within the current commercial framework
- what was the size of the middle margin with Fujitsu? It was reported that OC&C had estimated that we would save between £7 and £11m a year by moving to another provider
- whether we could save more money by running the service ourselves? It was thought that this should be considered as one of our strategic options
- that it would be helpful to understand our customer base and how this compared with other parts of the business
- whether we should be drawing on any additional external expertise to support contractual negotiations? It was agreed that this would be considered.

9.3 The Board **SUPPORTED** the strategic direction outlined and **ENDORSED** the next steps delineated:

1. Continued engagement with existing supplier within the current commercial framework, to secure an improved fibre offer
2. Ensure the business remains relevant while decision making is taking place, though a marketing investment in fibre (as an overlay to the current FY19/20 budget)
3. Initiate a formal procurement process to begin market engagement on potential business models and the associated commercial/execution benefits i.e. enhanced existing supplier replacement through supplier management to full white label
4. Review possible external expertise to support contractual negotiations
5. Formally update the asset valuation of the Telecoms business.

10. LEGAL ENTERPRISE OPTIMISATION (LEO)

10.1 Jane MacLeod introduced the report, which was seeking the Board's approval for PO Limited to lodge an application with the FCA for a change of control approval.

LEO had been scoped fairly narrowly but UKGI had asked us to widen the scope to consider a number of longer term structural issues, including taking the shares out of FRES and putting

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those into a separate structure in order to be able to enhance our dividend capacity. It was noted that we needed to consider the position regarding the use of tax losses before making a decision.

The timeframe for LEO would need to be extended and we were discussing this with UKGI. We had to work through the tax implications of changes as we had a unique VAT arrangement that we needed to protect and we needed to consider what assurance we need for HMRC before we effect the corporate re-structuring.

The position with FRES would need to be worked through to determine the shape of the application to the FCA. The PoI Board had approved lodging the application to the FCA and making the application did not commit us to making the changes proposed.

TC explained the BEIS perspective on the proposed corporate re-structuring which had brought to the fore a number of issues and requirements. The Articles of Association needed to be updated to make them fit for purpose. We needed to put a Framework Agreement in place and we need to look at funding beyond 2021.

An update would be provided for the March Board meeting.

10.2 The Board **RESOLVED** to:

- **APPROVE** the submission of the Application to the FCA of the proposed Change in Control of Post Office Insurance and FRES arising out of the proposed group structure
- **AUTHORISE** the CEO and the CFOO to determine the appropriate time for the Application to be submitted, in light of the LEO deliverables.

11. PARENT COMPANY GUARANTEES FRAMEWORK

11.1 Jane MacLeod introduced the paper which sought approval of three parent company guarantees which had been requested by clients of Payzone Bills Payment Limited. The contracts were operational rather than financial. Approval of a framework of principles for determining where parental guarantees could be approved by the executive and where they should be referred to the Board was also sought.

11.2 A number of points were raised, including:

- what the worst case position would be if the parent guarantees were drawn on? It was reported that the penalties would be the same as set out in the contracts themselves. The only unlimited liabilities we would agree to were where it was standard market practice, such as for Intellectual Property, or where it was in relation to liabilities / risks that were within our control. A governance report went to the Board each March which included our delegated authorities and an overview of our position on unlimited liabilities and this would be included in the March 2019 report
- it was recognised that we needed to take a pragmatic approach for the duration of the current contracts but that where possible we should seek to provide a letter of comfort instead of a parent guarantee.

11.3 The Board **RESOLVED** to:

- **APPROVE** the terms of the parent guarantees with Thames Water, Anglian Water and Scottish Power and **APPROVE** Post Office Limited entering into the three guarantees substantially on these terms
- **DELEGATE AUTHORITY** to the CFOO and the General Counsel to finalise and approve the terms of the guarantees and
- **AUTHORISE** execution of the guarantees in accordance with Post Office's usual signing authorities.

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The Board's preference for letters of comfort to be provided rather than parent guarantees was noted.

12. POSTMASTER LITIGATION (VERBAL)

Jane MacLeod reported that the judgement on the common issues trial had not yet been issued. A Case Conference would be taking place on 31st January 2019 but it was difficult to progress matters further in advance of the judgement. Our communications had been prepared.

Conversations had been taking place about mediation, which was a standard request by the court, and we were considering our "red line" issues.

13. BELFAST EXIT PLAN

13.1 Jeff Lewis and Rob Houghton joined the meeting. Moving from the Belfast Data Centre into Azure reduced the risk of operating from two data centres in the same location, to a cloud based solution supported by three data centres. It would also improve our contractual position and allow us to operate with greater agility. It had been difficult to acquire the right digital capability in Fujitsu but the position had improved and costs were being driven down. We were planning to talk to Fujitsu next about how we could re-orchestrate the Horizon system.

Progress with the exit plan work was discussed. It was reported that the Project teams were being co-located in Bracknell. Fujitsu were receptive to working as we wanted to and to making changes. The scope of Fujitsu's work had been contained to re-hosting which limited opportunities but also reduced risks and we would acquire benefits as we moved to the cloud.

13.2 The Board **RESOLVED** to **APPROVE** the drawdown of a further £6.3m of funding, in addition to acknowledging an ultimate Programme financial commitment of c£36-42m for the Belfast Data Centre Exit project.

The Board supported the approach of moving from the Belfast Data Centre to Azure, a cloud based solution, rather than the alternative options considered and set out in the paper.

14. ITEMS FOR NOTING

14.1 **Sealings**

The Board **RESOLVED** that the affixing of the Common Seal of the Company to the documents set out against items numbered 1736 to 1743 inclusive in the seal register was confirmed.

14.2 **Health & Safety Report**

AC reported that there had been persistent gas attacks on ATMs in Yorkshire with a 150% increase in the last year. In response, we had been putting less cash in ATMs in this area overnight and were fitting 750 ATMS with gas suppression kits in the area. We were also continuing to investigate cash destruction options. Attacks of this kind, especially as PO had to factor in regular changes in branch locations, played into our concerns about a future ATM strategy.

14.3 **Future Meeting Dates**

The future meeting dates were **NOTED.**

14.4 **Forward Agenda**

The forward agenda was **NOTED.**

15. BOARD AND COMMITTEE EVALUATION REPORTS

15.1 Ken McCall provided an overview of the Board and Committee evaluation process and the recommendations flowing from the Board evaluation. An annual cycle of evaluations would

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continue. The ARC actions had already been agreed and the Nominations and Remuneration Committees would be considering their evaluation reports.

The strengths in how the Board operated had been shown in the scores and the feedback received. The report had focussed on development areas. The Board had identified a number of areas where more discussion and greater understanding would be welcome. Today's discussions on Telecoms had started that work and developing a greater understanding of digital identity, our competitors, postmaster/ agent needs and franchising would follow.

The Board had also requested more updates from thought leaders, management updates on IT and greater visibility of the management tier below the Group Executive. Papers were better but more narrative was needed on changes in performance and the drivers for this, as well as the reasons for changes in spend and timing of delivery.

KM would be facilitating the discussion of the Chairman's performance after the Board meeting and a NED meeting had taken place on 28th January 2019 with a second one to be scheduled during the year.

The next steps would be for the actions to be taken forward as listed in the paper, including a revised forward agenda for the March Board meeting.

TP would discuss the output from the Board evaluation with UKGI and KM would discuss the Chairman's review with UKGI.

15.2 The Board **RESOLVED** to **APPROVE** the actions proposed from the Board evaluation as set out in page 3 of the report.

The meeting closed at 3.00 pm.

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Chairman **Date**