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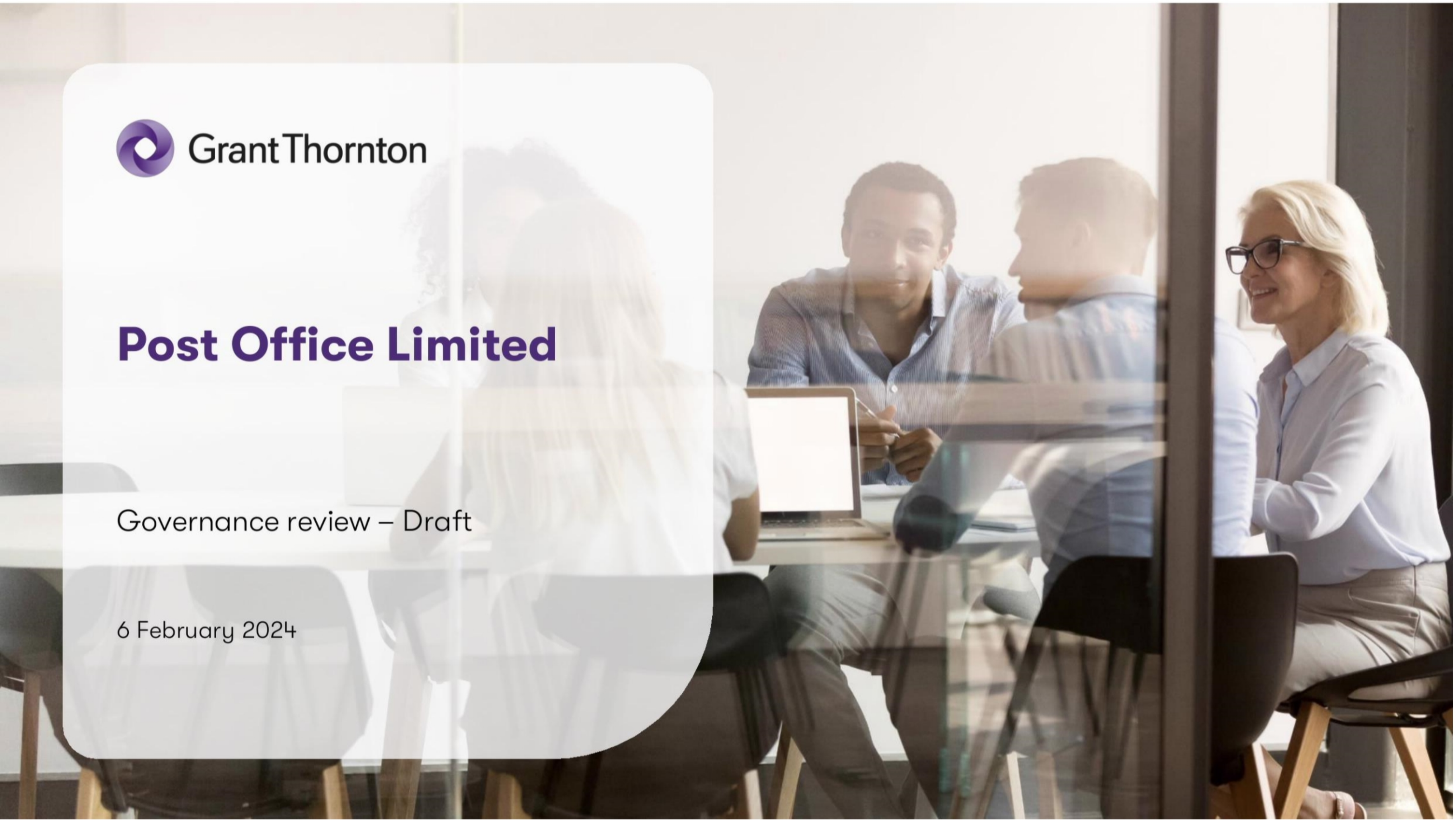

Grant Thornton

Post Office Limited

Governance review – Draft

6 February 2024

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For the attention of Rachel Scarrabelotti, Company Secretary
Post Office Limited
100 Wood Street
LONDON EC2V 7ER

6 February 2024

Grant Thornton UK LLP
30 Finsbury Square
EC2P 2YU
GRO

Dear Rachel,

In accordance with the Statement of Work dated 12 October 2023, we present our draft report (the Report) on the effectiveness of the governance practices at Post Office Limited (POL, the Company, or you).

The scope of our assignment includes; a review of governance design, procedures and practices at POL, to identify any gaps and provide considerations as to how they may be bridged in the context of the wider change programmes unified internally under Project Ethos. The purpose is also to confirm that practices are in alignment with the role as set out by the Secretary of State for Business and Trade (the Shareholder or DBT), and its duties, and general comparable good governance practice in the market.

This overall review does not seek to investigate and comment on any perceived or actual past failings. It is concerned with establishing whether the current governance approach meets the appropriate standards and is fit for the future based on the Company's unique position including; its ownership structure, the requirements to resolve the past, fulfilment of social purpose, and its strategy, to ensure the interests of its stakeholders are properly served.

Appropriate standards considered for the purposes of this review are, the UK Corporate Governance Code 2018 (the Code) mapped against the Central Government Code 2011 (the Government Code), the governing Shareholder documents namely; the Articles of Association dated December 2022, the Shareholder Framework Document dated March 2020, and the Funding Agreement dated April 2022, (collectively "the foundational governance documents"), in addition to good practice as observed from other relevant organisations of similar size and complexity.

This Report is confidential and has been prepared exclusively for you. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than POL for our work, our report and other communications, or for any opinions we have formed. We do not accept any responsibility for any loss or damages arising out of the use of the report by the addressee for any purpose other than in connection with the scope set out in the Statement of Work.

We would like to thank you and the various employees and Non-Executive Directors (NEDs) involved in this initial piece of work for their commitment in giving their time to provide honest and insightful feedback, which has supported the review process.

If there are any matters upon which you require further clarification, please contact Jonathan Houston GRO, or myself.

Yours sincerely

Sarah Bell
Partner
M: GRO
E:

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00 Scope and methodology

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Scope

- The scope of this review is to formulate an understanding of the Company's governance processes and structures across various tiers of management, including the Board to Group Executive (GE), Sub Committee level (Sub Co), the Business Unit level, any other individuals or groups who have had decision making processes concerning the governance of the organisation delegated to them, as identified by POL, and the interaction between these entities.
- We are also to consider these processes and structures against the benchmarks of the relevant industry standards that are comparable to typical business operations equivalent to the size of POL, and the best practices of organisations with comparable structures where we consider there is no industry equivalent, due to POL's constitution.
- Throughout the review, we have been asked to maintain a particular focus on how decisions, Management Information (MI) and policies flow both up and down the management structure, with a view of establishing whether they support effective decision-making in line with the strategy and governance standards, and how the practical application of governance structures affect actions, feedback loops and decision-making outcomes.
- In preparing this report we have drawn our conclusions from:
  - a series of 10 interviews with Board members (excluding the CFO who is on long-term sick), and a further 20 interviews with senior executives;
  - an online survey platform to further assess the practical application of governance practices within the Company, at both Board and Senior Management levels;
  - attendance at the Rem Co meeting in November 2023;
  - a limited document review. A full list of interviews and documentation from which our views have been formed is included at Appendices 6 and 7.
- Given the scope and reporting timeframe, we have had to rely on discussions at face value, albeit where possible we have referenced documentation to frame our views. Our recommendations should be viewed in this context.

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Methodology

We have used the themes of the UK Corporate Governance Code (the UK Code) and Central Government Code as yardsticks in assessing and reporting on the effectiveness of the governance structures.

- We have used the themes of the UK Code to frame our assessment on the effectiveness of the current governance framework within POL.
- We believe the Code provides a good proxy for measuring effective decision-making environments as it is widely seen as a distillation of best practices evolved from the UK's largest, most complex companies that are working to retain and create value on behalf of stakeholders. We have also had regard to the Government Code.
- The UK Code is also clear in outlining that good governance is not just top down. Specifically, companies and their boards do not just have obligations and duties to stakeholders, but mutual duties of the shareholders to not only communicate around objectives but also to oversee boardroom practices.
- Where we consider there is no industry equivalent, we suggest alternative ways in which the Company's current corporate governance framework could be enhanced and/or revised to better align with the Company's purpose and strategic objectives with practices in organisations of a similar size, and who operate in similar markets and sectors.
- The Code is made up of several Provisions spanning five main categories of corporate governance: Leadership and Company Purpose; Division of Responsibilities; Composition, Succession and Evaluation; Audit, Risk and Internal Control, and Remuneration.
- In order to test the robustness of our methodology and approach to measuring strong (and weak) governance, we released a White Paper in 2019, (Corporate Governance and Company Performance | Grant Thornton UK LLP), which examined 10 years' of data (2007-2017) to assess whether a link could be demonstrated between good governance, as measured in the Grant Thornton corporate governance database, (based on the Code), and subsequent financial performance (taken across a basket of measures from both the balance sheet and profit and loss statements). As part of this work, we also sought to test whether the Code is a good proxy of measurement in terms of a blueprint for developing a sound governance structure.

Output from our research across the FTSE 350 demonstrated that there is a link between strong governance and the subsequent creation and retention of value. Our methodology was validated with several internal and external stakeholders, including a peer review by Professor Mike Saks, Emeritus Professor at the University of Suffolk. The information recorded the Grant Thornton governance database has informed our benchmarking results of POL's governance disclosures the scoring of which has helped inform the best practice tool kits we have provided in Appendix 5.

- Our findings, recommendations, views and conclusions are based upon our professional experience and judgement. This review does not constitute an audit and we have not tested or otherwise sought to verify information provided, other than by discussions with senior management, reference to relevant documentation, and the two online surveys.

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01 Context

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Context and background

POL is wholly owned by the Secretary of State for Business and Trade (the Shareholder, or DBT), the ownership rights of which are preserved in the Company's Articles of Association.

The relationship between the Shareholder, its representative, UK Government Investments Ltd (UKGI), the Company, and the Shareholder's expectations of the Company, are governed by the Shareholder Relationship Framework Document (dated March 2020), and are further supplemented by an annual letter from the Minister setting out the Government's broad objectives for POL.

The above forms what we refer to as the foundational governance documents.

- POL is a commercial retail organisation with a social purpose. Through a variety of partnerships it provides to the public, via its online platform and nationwide network of c.11,500 branches, a number of products including postage stamps, identity verification, government services, travel and insurance, and banking facilities.
- The POL 2025 "strategy" and vision is built around seven key pillars. These pillars are further synthesised into three key themes which we understand inform the operational focus of the Company, namely; rebuilding trust, transforming technology, and improving branch profitability. There are no current unifying metrics which define the ambition for either the seven key pillars or three key themes at a consolidated level.
- Government funding remains critical to the continuing viability of POL. Funding requirements are negotiated with the Shareholder on a three-year cycle and appear to be the catalyst for strategic development within POL, with the current period due to end in December 2024. This current funding cycle outlines an annual subsidy requirement of £50 million per annum.
- One of the longer term aims of Government is for POL to become financially sustainable, however this needs to be reconciled against various interpretations of POL's espoused social purpose in delivering critical infrastructure elements to the UK community through its wide-reaching network: "We're here, in person, for the people who rely on us".
- Against this backdrop:
  - there is a continuing public inquiry into the past governance fallings;
  - the Funding Agreement and the Shareholder Framework Document set out a requirement for POL to continue to support a minimum network of 11,500 Post Office branches. We understand across this estate, roughly one third is profitable, one third is profitable or break even at a Postmaster level, and one third is loss making, both at Postmaster and POL level;
  - there is a government appointed Shareholder Representative on the POL board, in addition to two Postmasters (who represent some of the longest serving Board members and are due for rotation later this year). All these roles have the same voting rights and director fiduciary duty obligations as other POL Board members;
  - the reference to Shareholder engagement and outcomes practically represents a collated set of views from several government bodies, which have influence at POL through the various foundational documents, namely; UKGI, DBT, Treasury and various Ministers;
  - there has been a continued need for additional government support throughout the funding cycle, largely driven by unanticipated costs associated with the development of the IT platform (NBIT) and the historical remediation of claims;
  - the National Federation of Sub Postmasters (NFSP) released a statement early in 2024 questioning the effectiveness of having Postmaster nominees sit on the POL Board due to perceived conflicts of interest;
  - the operating environment is extremely challenging with additional revelations surfacing as part of the Horizon IT inquiry (the Inquiry), which are widely reported in the media. Whilst these issues do not form part of the scope of this review, their impact upon the culture and running of POL is profound; and
  - the Chair of the POL Board has stepped down inthe recent week.

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Context and survey

- We consider the past five years have been some of the most challenging for the Company in its entire 360+ year existence.
- Since 2019, when a settlement agreement was reached with 555 former or serving Postmasters against POL, it has been operating year-to-year in crisis mode. There has been much internal and external scrutiny leading to POL undertaking a number of improvements to transform aspects of its governance. These have largely been centred on remediating the position with Postmasters in response to the findings of the High Court (Fraser J.).
- Across these various activities much has been achieved in terms of upgrading procedures and policies particularly related to the interface between POL and the Postmasters.
- It is within the context of recent challenges and actions that we focus our comments and recommendations.

Summary of survey diagnostic

- In terms of setting context overleaf, we have provided the high-level results from the Board and senior leadership survey. This was undertaken in partnership with our third-party service provider, BoardClic at the start of our work in October/November 2023 as part of the initial diagnostic around the practical application of governance within POL. The survey formats have been designed with reference to the UK Corporate Governance Code (the UK Code) and the Companies Act. Some chapters and questions were adapted specific to POL. We provide further details regarding this methodology on pages 5-6.
- The surveys allow us to ascertain across a large section of the management team where there is alignment, misalignment and/or, in the case of the leadership survey, where a large spread of responses indicates a lack of coherence around the practical application of governance. The survey also provides a benchmark against other Board and management teams.
- For further details on the survey output, refer to Appendix 1 for actionable insights i.e. those questions which received the lowest overall scores or alignment, and Appendix 2 for a high-level summary of the key highlights across the areas of the Chapters of this report / UK Code.

The accumulated conclusions of this report should not be read to disparage the commitment of a significant number of individuals both at the Board and within the organisation. This includes the Company secretariat team and Shareholder Representative, all of whom continue to contribute their time and effort in what is an increasingly challenging environment, where the business must operate in the past and present, creating more capacity to address the future in a fast-changing market environment.

In the main, everyone we met during interviews at all levels of the organisation were well intentioned and hard-working, devoted to the ideals of what POL can potentially contribute to the economy and wider society.

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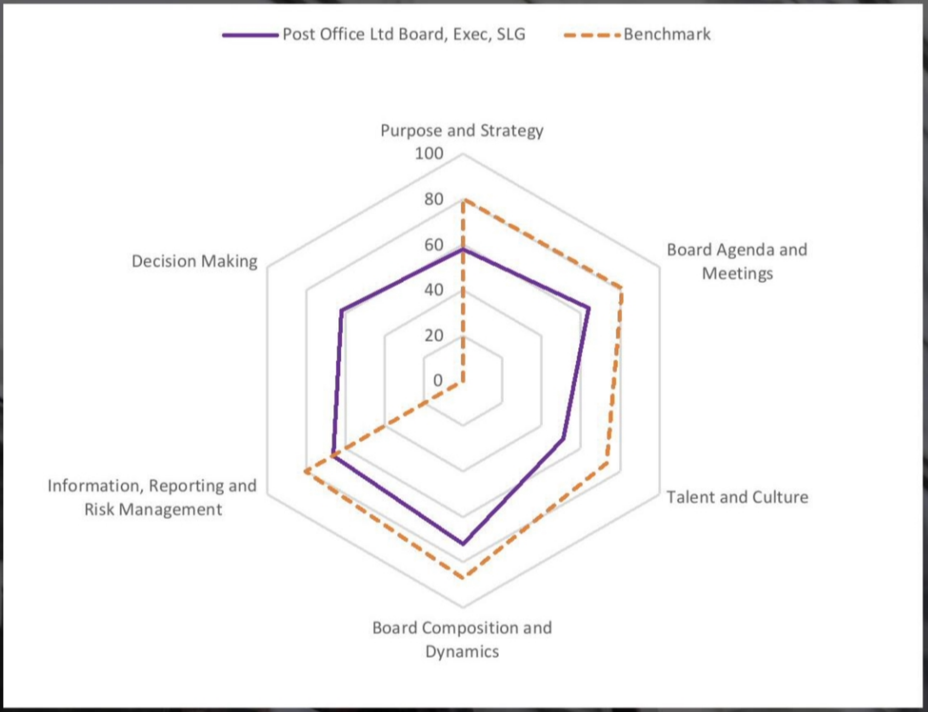
Board survey – governance effectiveness

Self-reported overview

Summary of key themes from quotes

- There are conflicts between achieving a social and commercial purpose with current funding arrangements.
- Excessive government interference calls into question the Board's independence.
- It is impossible to plan ahead amid uncertainty of funding and lack of clarity from government on what it wants.
- Lack of visibility and knowledge share across Board Committees precludes synergy and transparency of information.
- Culture, succession planning and EDI targets and narrative have been de-prioritised amid historical and on-going challenges.
- Risk management is not operating optimally, with several risks outside of tolerance and lack of adequate funding to address risks within known time horizons.
- Individually the Board is capable and skilled but given POL's government participation and current market segments, there are skills gaps in government/public sector experience, IT transformation, franchise expertise and banking.



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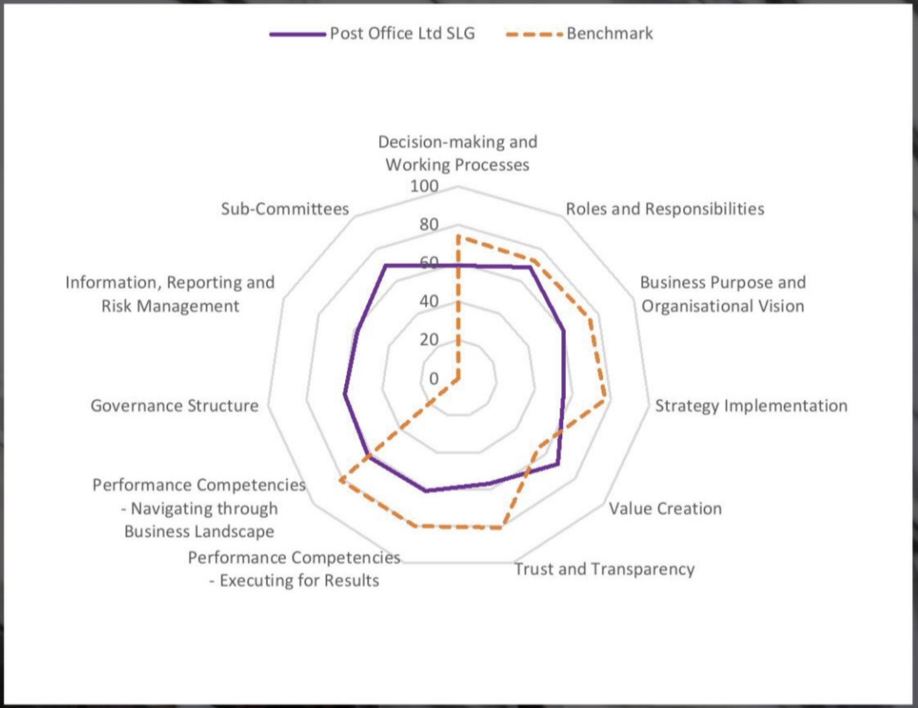
Leadership survey – governance effectiveness

Self-reported overview

Summary of key themes from quotes

- Strategy and implementation is not clear, and is challenged by lack of Shareholder clarity, funding uncertainty and dealing with historical matters vs BaU create constant trade-offs.
- Accountabilities, delegations and decision-making need improvement, as they are either not clearly set out or understood or implemented.
- Poor levels of trust in GE, and also across organisational levels. A lack of accountability, aversion to taking decisions, poor communication, lack of cross functional working, talent and performance management all add to this.
- MI and reporting from Sub Co's is of variable or poor quality and does not support effective decision-making, with few exceptions. Sub Co's' purpose is unclear, and remits overlap.
- The GE has too many members and is not a cohesive leadership team. Its meetings are not focused enough with substandard quality of discussion. Diversity also needs improvement.
- People churn, varying capacity and capability across leadership with many temporary roles, no transparency around recruitment, L&D and succession planning calls into question GE members' competence and leadership. Recent appointments, however, have been additive.
- Engaging other stakeholder voices at Board and leadership, and risk governance all require improvement.



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02 Executive summary

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Overview

In the absence of a unitary longer-term purpose and strategy for POL, the governance actions taken to date have largely been tactical.

That said, recent efforts to start to address accountabilities, from the top down, and to simplify and prioritise strategic capacity, are encouraging.

Notwithstanding this, the governance architecture is not fit for purpose.

There is currently tension within POL, between its social purpose and being a commercially sustainable organisaiton, being government owned versus operating in fast paced highly competitive markets, a tension at Board in terms of conflicts of interest and roles and responsibilities with the Shareholder and Postmaster NEDs, a tension in resolving the respective interest of the government and the wider political agenda and a tension within the organisation where there is a feeling of power without responsibility.

Whilst much of the written policies and procedures are generally in line with good practice, their impact is tactical. The inability to strategically prioritise actions in the absence of unitary purpose/strategy and the muddling of roles at Board, slows decision-making and fosters a culture where it is challenging to hold people to account. This is evidenced in the survey output (and in interviews and document review) – refer to Appendices 1 and 2 for further detail.

There are five main areas of weakness in terms of the governance which need resolution;

1. An inability to unlock a unified purpose and shared ambition around a longer-term vision and strategy between POL and itsShareholder. Evident from our review are the many interpretations of what constitutes the strategic ambition and purpose of POL. We were unable to determine a unifying vision and/or strategic metric ambition (financial and non-financial) which transcends the funding period. This is critical to informing the effectiveness of governance design principles acting as a clear guide in areas such as risk management, culture, DoA, and performance management.
2. An unconscious bias around the lack of accountability. During our review, it was apparent that the basis of the governance issues do not, first and foremost, lie in the skills and capability of the Board members and Leadership. Rather, a muddling of responsibilities and conflicts at Board through the foundational governance documents, which create confusion around roles, responsibilities and authorities. This includes the development of a framing strategy, which permeates down the organisation and drives authority without accountability.
3. Lack of clarity around the practical application of the foundational governance documentationwith various terms now superseded by circumstance. There is also uncertainty on both sidesregarding key aspects of associated guidance such as Public Monies (which if followed as written could require significant day-to-day approvals largely in volume by the shareholder) coupled with the short-term nature of the current funding arrangements. These issues create ambiguity and slow the pace of decision making. Many individuals also cite mixed messages from the Shareholder on its longer-term unified objectives for POL, which contradict the Minister's Letter and foundational governance documents.
4. Decision making forums at Enterprise level appear to lack a clear understanding of objectives, roles, responsibilities and purpose and at some level there is duplication. This maze of complexity pervades an inadequate collective capability and experience below board Until December 2023, there were over 100 personnel in the senior leadership group (SLG) with a variety of singular and collective accountabilities, a CEO with 12 direct reports, 12 GE level committees and further innumerable committees, groups, and forums that reside within the Enterprise levels. This has inevitably impacted on the quality of cohesive leadership and management information (MI) flowing up through the organisation to the Shareholder.
5. Culture – the mistrust between POL and DBT/UKGIwhich is culminating in a failing working relationship. This manifests itself in additional questions and requests for information over and above the normal pattern of quarterly reporting. A short-term funding horizon and lack of clarity around reward structures is also driving a hand-to-mouth mentality in decision making, which is tactical and not purposeful. Not only does this tie up time, but also drives an extremely risk adverse stance. This, in turn,

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Key findings

Addressing the lack of clear vision by the Shareholder on the purpose and objectives of POL, and the relationship and influence it has over the day-to-day running of the business, are the two most fundamental issues which impact governance effectiveness. The resolution of these is essential in the longer-term, if the POL is to flourish.

fosters a culture where there is a lack of accountability and confusion around the priority framework to inform efforts. There is also a pervasive fear of mistakes and procrastination in receipt of further information around decision making. This has been described as hiding behind the 'uniqueness' of the ownership structure, which at times, can be categorised as "them" and "us" when difficult trade-offs need to be made.

POL has however, over the last few months, driven through more top-down structural governance improvements in an attempt to address these issues and ensure that the Board and GE are properly briefed on the operational management and governance construct of POL. This is being achieved by focusing on the right matters which require their engagement and oversight. Noted actions of reference which still need time to bed in include:

- improved leadership capacity at Board and GE level; with the appointment of Owen Woodley as Deputy CEO; Karen McEwan, Head of People/CPO; Ian Rudkin, Director of Reward; Chris Brocklesby, CTO (interim) and Kathryn Sherrett, stepping up as interim CFO; and at Board level Amanda Burton, Simon Jeffreys and Andrew Darfoor; all of whom joined the Board as INEDs in March, April and June 2023;
- further strategic capacity at Board with the creation of two new Board Committees, namely the Historical Matters Unit and the Investment Committee;
- the recent simplification of the governance structure at executive level to prioritise focus and drive accountability, including a New Leadership Team, with a Strategic Executive Group (SEG) at its core comprising the CEO, Deputy CEO, Interim CFO, CTO and CPO, and reducing the number of individuals reporting to the CEO from 12 to 7, with a primary purpose of on developing the future POL strategy;
- improved attention and discipline to areas such as People and Culture (Project Ethos), agendas (more forward-looking) and minutes (in terms of action remediation) over the last 3 months;

Whilst the direction of travel is promising, it does not, in our view, address the foundational governance architecture issues which are ultimately impacting the effectiveness of the governance design and hierarchy.

- It is difficult to pinpoint accurately, the catalyst of where the governance dysfunction arises; an inability of POL and the Shareholder to articulate a longer-term vision for POL from which to develop a cohesive strategy, an inability to hold one another to account, conflicts of interest at Board, capability and the capacity of leadership given the ongoing crisis management, inquiry and IT platform, a strategic design which seems to be interlocked with shorter term funding cycles, and/or a prevalent culture of mistrust. What is apparent however, is that accountability is difficult to establish, with the blurring of responsibilities and mistrust between Shareholder and POL permeating from the Board down.
- Addressing the lack of clear vision on the purpose of POL, objectives and relationship with the Shareholder, and its influence over the day-to-day running of the business, are the most fundamental issues which influence the effectiveness of governance, clarity on roles and responsibilities and pace of decision making within POL. Resolution is essential in the longer term if POL is to flourish. At present this current construct appears to bediminishing genuine accountability in the Group's governance architecture/hierarchy starting at Board. The result has been an inability to hold the Executive to account or provide the guidance and fast-paced decisions that are needed in a fiercely competitive and transforming market.
- We consider that POL, in engaging with the Shareholder, should consider the merits of exploring an alternative governance model primarily to resolve the ambiguity aroundthe above.
- In considering alternative design principles, we believe POL needs to continue to frame for the Shareholder what POL is about (purpose), where it wants to get to (strategy and vision) and how it is going to meet its aims (culture). Equally, the Shareholder must make sure it states its objectives within the context provided by POL and timescales clearly by defining what it wants achieved, with greater pace around decisions for which it is responsible.

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03 Recommendations

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Overview

If POL cannot govern its businesses to a level akin to its competitors, it would make more sense to explore alternative ownership. Although, that is likely to come with further consideration around policy/regulatory change to address any social value aspect.

- In this section we set out our recommendations for action that should be considered/taken to:
  - improve efficiency, transparency, accountabilities etc;
  - help the organisation to function more effectively;
  - position POL to move forward when the overarching strategic aims can be agreed with the shareholder; and
  - start to rebuild collective leadership confidence, performance management collaboration, ambition and trust
- We acknowledge that a number of these priorities are recognised by POL, and action is being taken to address several areas.
- In Section 4, we have also set out a further consideration around the merits of exploring an alternative governance model with the Shareholder, for which we outline a potential strawman to frame discussion.
- High level we would summarise the key set of prioritised actions as follows;
  - Senior Executive Group (SEG) to finalise the governance design (ToR, DoA, meeting discipline) of the SLG and associated Committees to agree with Board
  - SEG to agree cultural principles that they want to uphold as a leadership team
  - SEG to develop a high-level communication plan which thematically sets out some key milestones for POL. This is first and foremost to signal change and set expectations. Consider three themes around the topics of; Reset, Renew, Reboot and highlight some expectations under each
  - SEG to map a skills matrix against the SLG governance design to identify leadership capability and capacity, and start to develop job descriptions in terms of performance metrics and identify candidates
  - SEG to agree strategic design principles with the Board and agree a cadence around updates on progress
  - SEG to agree SLG training/communication plan to set expectations regarding refreshed DoA's
  - SEG to agree cultural design principles and consider whether values need to be refreshed
  - Board to agree how the Shareholder position is to be reset and ensure, as best as possible, foundational governance documents are amended to drive interim clarity on areas of POL's authority (or not) and communication channels
  - Board and Executive succession planning to be looked at with urgency
  - Nom Co to prepare a detailed succession plan at Board with an initial skills matrix done against priorities and risks and consider the position regarding Postmaster NEDs, including previous selection process
  - Rem Co to resolve the historic reward scheme to ensure clarity of objectives for 2024

Recommendations – Leadership

From our activities, we summarise the key next steps to support with improving the effectiveness of the governance at POL

Context	Board steps to consider	Executive steps to consider
• There is significant anticipated scrutiny of POL's strategic delivery capability. • Ambition, energies and resources need to be directed towards speedy delivery and implementation following concerns about capacity and focus. The number of executive level Committees needs to be streamlined further to clear the way forward for optimised transformation and related decision-making. • The Board is currently without a Chair and is relatively new. In the absence of long-serving corporate memory, care needs to be taken to debate and discuss issues thoroughly, with follow-up on actions and feedback documented. • Strategic design principles need agreement within POL and the newly formed SEG must come together as a cohesive leadership team. Refer Section 5 for further context.	• Develop a contingency plan on how to reset the Shareholder relationship considering the foundational governance documentation to improve clarity over the next 12-18 months. As part of this exercise: - explore merits of an alternative governance model which can provide greater clarity on accountability and improve the pace of decision-making. Refer to Section 4, which suggests a potential strawman in developing a Supervisory Committee and/or shifting certain roles to Board observers - review the foundational governance documents to reflect practical application, including improving clarity around connected aspects such as "Managing Public Money". This should be captured in the Shareholder Framework Document to gain clarity on what is not in POL's remit in terms of principles that impact day-to-day operational approvals between POL and the Shareholder. Equally the purpose of this document to be agreed as there is duplication between the Articles of Association and Funding Agreement. • Agree strategic design principles with the SEG, and explore and agree steps that POL intend to take to unlock the impasse on developing a longer-term strategy • Clarify what the Board can practically achieve under an Interim Chair • Provide regular opportunities for informal board meetings to enhance trust and effective engagement. • Continue to improve meeting discipline around agendas, chairing and MI. • Review the role of the Postmaster NEDs and consider how their corporate memory can be leveraged i.e., the role they can play in being ambassadorial champions at Board and within the wider organisation.	• SEG to continue to create strategic capacity within leadership at POL either through ensuring the right elevation of management and/or identifying skill gaps. As part of this: - the Senior Leadership group (SLG) to reduce from over 100 to roughly a quarter in size by March 2024. Job descriptions to be written for leadership roles with responsibilities clear and tied into performance metrics, with the new leadership team identified based on skills/experience rather than seniority - meeting discipline, transparency and accountability is critical in the new structure. As part of this refresh, consider rules of engagement such as taking papers as read and training needs such as chairing, preparation of papers etc. Agree at the outset with Committee Chairs, a summary dashboard which measures impact (financial and non-financial) relevant for all Committees. - SEG to agree as a leadership group cultural/leadership principles they intend to coalesce around, hold each other to account on, and agree to role model in the organisation. • SEG to focus on developing a strategy and need to agree strategic design principles with the Board (See Appendix 5 Best practice (BP) tool-kit, pages 87-88). • Any strategic design to be supported by a culture framework which has performance management as one of the key pillars. Dashboard to be developed to allow Board to understand the current position and monitor transformation (See Appendix 5 BP tool-kit, pages 85-86). • The newly-formed SEG needs to think through a communications plan to signal their intent of a wider organisational reset for people and stakeholders. • Annual Strategy days to be a focus going forwards, with ideas being fully rather than partially developed, and submitted to DBT with a timeline.

Recommendations – Division of responsibilities

From our activities, we summarise the key next steps to support with improving the effectiveness of the governance at POL

Context	Board steps	Executive steps to consider
• The accountability chain for POL is complex and involves customers, external suppliers, joint-venture partners, employees, postmasters, senior management, the Board, the Shareholder, the Shareholder Representative of the government, UKGI's individual NED on the Board, civil servants at the sponsoring government department, ministers, and regulators. This web of stakeholders and their related interests in POL has influenced an unnecessarily complex governance framework where resolution to issues has been through layers, rather than establishing whether the overall structure is fit for purpose in the operating context of the Company. • There needs to be a simplifying of layers within the central function with too many matters escalated to the GE (and Board) for decision. • Decision-making is labour and time intensive with criteria and reporting ambiguous and cultural issues driving the high cost of indecision. This contributes to creating confusion and risk within resource utilisation. Furthermore, far too many OPEX approvals are coming to board due to the low-level hurdle of £5 million. Refer Section 6 for further context.	• Division of responsibilities and associated ToRs and DoA at Board are largely in line with best practice, apart from further clarity needed for ownership around wider aspects of the People agenda. • Review Nom Co and Rem Co to establish whether they are delivering against the ToR and address how any gaps may be remedied	• Continue with redesign and simplification of Committees/working groups reporting into the SEG by reorientating reporting lines for some current forums and reduce the number of Sub Co's and direct reports going into CEO, for presentation to the Board (refer to strawman on page 4344). - Design and agree a ToR and DoA for the Committees reporting into SEG, underpinned by a skills matrix and RACI to identify the capability within the organisation, establish skill gaps ensuring a single point of accountability. - Revisit and clarify base information requirements, accountabilities, monitoring , reporting and communication cadence to provide focus to the forums of most strategic importance. Whilst undertaking these reviews, it is suggested to also review authorisation limits for OPEX. - Consider reorientating certain GE level Committees such as the Health and Safety Committee, the Pensions Plan Governance Group, the Property Committee and the Inquiry Steering Committee. Most of these people-related matters can be dealt with elsewhere and/or report into a more strategic forum. • Consider the benefits of establishing an interim Implementation Committee, to spearhead all transformation operational workstreams (such as IDG and technology), to support with developing a company-wide narrative on trade-offs and holistic governance design in effective delivery of BaU, so supporting the development of strategy. • Ideally, an Implementation Committee would only be in existence for a c.18-month period and would be headed up by a competent COO role. It would also be envisaged that this committee would have an Independent Chair from the Board (with transformation expertise) alongside a strong project management team headed by the Chief of Staff. Remaining members would be selected from the SLG. This Committee would also provide challenge to the SEG in the practical considerations of the strategic design • Secretariat to provide independent reviews of the revised structure on an interim basis to ensure the right conversations and audit trails are working practically, as the new leadership structure cascades. Consider internal audit undertaking an annual review on the resolution of actions to identify root causes of delay within the Sub Co structures.

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Recommendations– Composition, evaluation and succession

From our activities, we summarise the key next steps to support with improving the effectiveness of the governance at POL

Context	Board steps to consider	Executive steps to consider
• Urgent attention is needed in recruitment and managing of the Board's composition. • Succession planning is not sufficient across the organisation. Whilst the Chair stepping down was unplanned, the current SID, and another INED, are due to rotate off (July 2024 and early 2025 respectively) and both 'Postmaster' NEDs are also due to leave in April 2024. This makes for a perceived weak directive and decision-making body. Consideration of how corporate memory will be managed carefully, with the longest serving board members rotating off. These points are not addressed by a comprehensive succession planning process at present. • Equally, there is limited thought given to succession planning around the CEO (and Deputy CEO) and CFO roles (although recent hires are starting to address this). • Numerous people issues within the organisation which have been exacerbated by the continued rotation of personnel in the Head of People/CPO role. Wider issues include, confusion around roles, accountability and cultural behaviour, as well as legacy complexity and mistrust around reward schemes and pay requirements. This area requires laser sharp focus at Board and within the Executive. The newly appointed CPO appears to be making positive progress in this area. • Equally there are concerns around recruitment processes in terms of transparency and EDI. Refer Section 7 for further context	• Succession planning needs to be overhauled and driven forwards with the design principles of the skills matrices agreed at Nom Co (see Appendix 5, page 92) . • New and appropriately skilled Board members need to be recruited urgently with a view to filling skills gaps, addressing diversity and rotation timings • Consider Committee membership in the context of the Board rotations. At Nom Co, consideration to be given to Committee membership, including Chairs of the Board and Committees, to bring a diverse perspective on management pipeline • Nom Co to take the lead addressing the future viability of the Postmaster role at the Board. As part of this process, consideration to be given to formalising how rotation is to be staggered (if at all), future selection process (and viability of the role) to be reviewed (particularly given comments in the NFSP statement). • Board to maintain greater oversight of the work of the Nom Co and Rem Co over the next 12 months and agendas to allow time for full updates regarding delivery at the ToRs. • Develop a Board Learning & Development (L&D) programme to meet the requirements of the incoming Board members, taking account of strategic priorities, principal risks and skills matrices (see Appendix 5 BP tool-kit), pages 93-94). • Consider how the Board is going to support the SEG going forwards	• A structured approach to recruitment and senior appointments needs to be implemented. • At SEG, consideration to be given to potential strategic skill gaps and succession. A COO role could help address both these points. • Seek clarity with the Shareholder around the CFO role, which is also impacting resolutions at Board. • Continue with the build out of the skills matrices for the SLG, with EDI to be integrated into thinking (see Appendix 5 BP tool-kit, page 92, in terms of template / themes for consideration). • Review the recruitment process. Concerns that there is an absence of a framework of skills to reference for roles, in addition to a lack of consistency around EDI in terms of targets, interview panels etc. which need to be addressed to support the build out of leadership teams in the coming months. • Policies and process for people management need to be enacted and communicated purposefully. • L&D across the organisation to be addressed in time.

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Recommendations – Risk

From our activities, we summarise the key next steps to support with improving the effectiveness of the governance at POL

Context	Board steps to consider	Executive steps to consider
• POL has relatively well set up risk management process and associated policies and procedures; however further uplifting of some of those is required as the risk management arrangements mature. • There is a clear requirement to review how the control environment contributes to creating value, of which behaviour and culture is a key element. • Any resistance to this must be overcome, in order to shift expectations from compliance to a value-adding management consulting approach. Refer Section 8 for further context.	• New NEDs with specific risk skills and experience should be appointed to enhance the Board's risk expertise. • The ARC papers should be overhauled in terms of format and presentation to ensure more digestible and practical sharing of information. • The list of regular attendees for ARC and RCC meetings should be reconsidered, as fundamental changes are introduced to the ARC. • Packs for ARC and RCC meetings should be tailored to the requirements of each Committee, with the ARC papers providing a more high-level view. • The Central Risk Function should be elevated to a more prominent position across the business, to emphasise the importance of risk in strategic decision-making, identifying and seizing of opportunities, and optimising the use of capital (see Appendix 5 BP tool-kit, pages 96-97). • ARC to take proactive steps, at an accelerated pace, to better embed the internal controls framework, including relevant training so that it can attest positively when the updated UK Code comes into force in 2025 (see Appendix 5 BP tool-kit, page 98). • A more formal approach to aligning the risk and controls environment and internal audit to be considered across the subsidiaries and franchises to ensure that risk is managed consistently and effectively across the organisation. This might involve the establishment of a formal governance structure that oversees risk management and internal audit arrangements across all subsidiaries and franchises. Where these are currently lacking, formalised reporting lines and escalation procedures to the RCC and ARC should be instated. • Invest time in L&D programmes to ensure employees in the subsidiaries and franchises are aware of the policies and procedures related to risk management and internal audit and are equipped with the necessary skills and knowledge to manage risks effectively. • Over the mid-term, explore the merits of establishing separate Audit and Risk committees to improve focus, understanding of risks and controls, transparency, and decision-making. The industry trend is separate committees.	• Consider shifting the CRO to reporting directly into the CEO. This to send a strong signal that the risk function is given the level of prominence it deserves, given the current environment. • Risk management training should be introduced across all levels of the organisation, with GE setting 'tone from the top' and giving more prominence to risk management in executing their daily responsibilities. Individual risk reporting should be used as a driver for decision-making. • The Head of Risk/CRO and Head of Compliance should co- chair the RCC given these functions are at the heart of managing risks and carry the responsibility for risk management. • The remit of Postmasters' responsibilities should include managing risks as with the rest of the first line of defence, and this should be made clear in relevant risk documentation. • Reporting of risk matters to be re-evaluated, with reporting to the ARC aligned to its meeting cadence, reporting to executive forums monthly, and reporting to individual group executives weekly, or as often as needed. • Once POL's overall strategy is agreed, the firm's risk strategy should be aligned and reflected in appropriate risk appetite and tolerances. in line with strategic objectives. This, to foster more mature risk management processes. Risk thresholds should also be established (see Appendix 5 BP tool-kit, pages 96-97). • As the Central Risk Function matures, refinements to the roles and responsibilities of the second line of defence versus the business would be beneficial, and risk management documentation should more clearly feature the role of the Central Risk Function in providing independent challenge to the business. The risk management policy and guidelines should be updated accordingly.

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Recommendations – Remuneration

From our activities, we summarise the key next steps to support with improving the effectiveness of the governance at POL

Context	Board steps to consider	Executive steps to consider
The untimely agreement of reward structures continues to impact clarity around prioritisation, performance management and motivation. The historical lack of clarity, and concerns around responsibilities and information accuracy has raised the cost of decision-making at Rem Co, while diminishing genuine accountability and effectiveness. The governance hierarchy between the workforce, Rem Co and the wider public context, including the Government needs to addressed. There is a lack of shared understanding as to the role and accountabilities of different stakeholders at Rem Co and therefore in Rem Co's role itself. Further issues hinder Rem Co including inadequate rolling agendas, record-keeping and poor or inconsistent MI, as well as the lack of capability and capacity within the People function to support. Refer Section 9 for further context.	• Clarify the role and impact of the Shareholder NED at Rem Com including: - the application of the UK Code regarding independence. Should the role remain, consider how to mitigate challenges to independence - assess whether description of the role, as set out currently requires further clarity in the foundational governance documents. • Clarify Rem Co's role and authority namely: - agree with members, considering the foundational governance documents and the UK Code, item of Rem Co's ToR where it can be proactive with approvals and where it is seeking assurance or Shareholder approval. - agree how Rem Co approaches broader aspects of its role including alignment/engagement with the wider workforce and the related public narrative (see Appendix 5 BP tool-kit, pages 105-107). - Agreeing clear timelines for resolution of the historic reward schemes. • Engage with the Shareholder to establish the overall remuneration philosophy including the ability to set LTIPs. • Ensure meeting discipline around rolling agenda, minuting and actions follow-up and completion. As part of this exercise agree what the Rem Co wants to achieve over the next 12 months with the Chair, to focus on driving the aspired direction of travel. • Develop a clear communication plan to signal any material changes to approach, outcomes, expectations etc across the organisation and with wider stakeholders. • Consider the benefit in seeking to comply with the spirit of the UK Code Remuneration principle and reflect whether it needs to drive a shift in terms of internal practices and/or reporting disclosures and/or that non-compliance is agreed and understood with outputs included in any future induction pack (see Appendix 5 BP tool-kit, pages 93-94.). • Rem Co to champion a consistent framework to measure and monitor remediation of Rem Co governance recommendations.	• Clarify Rem Co's role and authority namely: - address cultural issues around accountability through a RACI matrix aligned to the 12-month agenda/ToR items and update DoA (if appropriate), at Rem Co and within the People function • Remuneration strategy (development and reporting) to be led by the CPO. RACI to reflect this aspect. Establish the set of principles by which schemes are designed, taking account of latest best practice, the Ministers annual letter and appropriate ambition (see Appendix 5, page 103). • The purpose of informal engagement outside of Rem Co to be agreed, given optics around independence. • Management to be encouraged to deliver more robust assessments, and design of reward schemes to allow for more effective discussions at Rem Co • Clarify the role and remit of Internal Audit in support of Rem Co's work i.e. the Stress testing of new schemes. • Remuneration advisor, WTW to provide information on historic schemes • MI needs to evolve to support strategic discussion and decisions. • Establish the capability and capacity of the People function to support the changing requirements of Rem Co and the wider organisation around the People agenda.

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Alternative governance structure

- POL should consider engaging with the Shareholder around the merits of putting in place an alternative governance structure which drives greater clarity around dialogue and decision-making between the Board and the Shareholder. This should be based on a mutual understanding of objectives and clearer accountability for decisions.
- Any alternative governance model needs to offer compelling appeal consistent with the values and a general market-wide sentiment in wanting to see POL survive and flourish. The alternative structure, through better accountability, must also facilitate faster assessment of capability and capacity issues and drive performance within POL whilst continuing to:
  - fully respect the distinctive characteristics of POL's social purpose
  - balance the need for the Shareholder to have critical information and preserve the right to certain decisions which affect funding requirements and adherence to Public Monies
  - drive a higher pace of decision-making and performance essential for success in intensely competitive markets such as franchising, retailing and financial services
  - provide accountability (and operational efficiency) to the Postmaster network, that is key to the brand and social value aspect
- We recommend consideration is given to a two-tier Board structure at POL whereby the role of Shareholder representative (and Postmasters) is elevated from the current Board. This model would seek to create a "Supervisory" or "Oversight" Committee with the aim of developing a powerful consultative body that can engage with the POL Board and Executive, whilst retaining the power to hire and fire Board members. Composition would be a majority mix of government representations across UKGI, DBT, Treasury and Postmasters.
- The purpose of the Supervisory Committee would be to give the Shareholder (and potentially Postmasters NEDs) appropriate powers to hold the Board properly to account for the performance and impact of the business, for the benefit of stakeholders. This, whilst ensuring adherence to the principles of Public Monies and social values, removing Postmaster NEDs and the Shareholder from management control.
- The Supervisory Committee would also oversee the practical adherence to the foundational governance documents and would potentially seek to take ownership/identity, for some of the decisions delegated to the variety of interests that make up the Shareholder view through the foundational governance documents to support with increasing the pace of decision making.
- The Supervisory Committee would also publish its views on Board performance and on any Directors up for election for the Shareholder (and/or where relevant) Postmaster consideration.
- It is further suggested the Supervisory Committee will have [two] seats on the Nom Co, to ensure a fair and transparent nominations process around the selection of Main Board members and the Executive. We have provided on page [25] a high-level illustration of the proposal, and we also elaborate on this further within Sections 4.

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04 Alternative governance model

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Alternative governance model

The purpose of the two-tier structure is to give the Shareholder appropriate powers to hold the Board properly to account for the performance and impact of the business, so providing POL with clarity on longer-term objectives and Shareholder accountability on allocated decisions.

- Boards are largely in place as a counter-balance against pressures on companies and executive teams to focus on the near term. They are empowered to share the longer-term direction of the organisation and should guide management to balance competing interests, anticipate risks, and competitive threats, and provide insight on opportunities.
- The POL Board (both now and over the recent past), whilst generally acknowledging the historic and current governance issues, and taking steps to create additional strategic oversight, seem unable to deliver against this remit (although we acknowledge the current composition is relatively new). This significantly raises the cost of decision-making and is diminishing genuine accountability in POL's governance architecture/hierarchy. The result has been an inability to hold the GE/SLG to account or provide the guidance and fast paced decisions that are needed in the fiercely competitive and transforming markets that POL operates within.
- POL Leadership (and followership) is undoubtedly complicated by the ownership construct which leads to an unhealthy tension between governing for Shareholder value and governing for social purpose (stakeholder value), in the absence of a longer-term vision, and the requirement for clearance on certain operational matters, such as severance. The current leadership efforts are focused on preserving value and firefighting, rather than directing the organisation towards a vision of creating sustainable value.
- A dual tier board governance model could provide an alternative and potentially more appropriate structure to unlock the various decision-making paralysis and support the organisation through its transformation. This proposed structure looks to split decision-making to better reflect the two perspectives being asked of the current POL Board by elevating the Shareholder interests (and that of Postmasters) to a "Supervisory Committee".
- This is a model that has precedence in the UK mutuals sector, where organisations are more geared towards social purpose. It is also highly prevalent in many European and Chinese markets, which place a high value on social impact. The most direct benefit of such a model is the greater focus on transparency and accountability for organisational development. We have provided some illustrative mechanics as to how the structure may work in the pages overleaf.
- The main purpose of the Supervisory Committee as envisaged would be to:
  - act as a consultative body that would regularly engage with the POL Board and hold it to account for its stewardship and strategic leadership of the organisation, and for the operational performance in accordance with the philosophy outlined in the annual Minister's letter (and foundational governance documents). This would include reviewing the POL Board's proposal on strategy;
  - provide a forum in which the interests of POL's stakeholders can be represented and promoted;
  - serve as guardian of POL's commitment to public values (Public Monies), social purpose and principles, and to ensure these are reflected in its corporate vision, strategy and operations. This would include advising the POL Board on ethical matters, with supporting evidence on likely impacts on business performance and values;
  - provide an opportunity to shift some of the decision-making requirements included in the foundational governance documents to an identifiable body in terms of practical accountability and create clearer timelines around decision-making; and
  - appoint up to two representatives to sit on the Nom Co of the POL Board, ensuring transparency of process and providing the collective views to the Shareholder on future Board members.

As part of this construct, it would be suggested, similar to the Listed market, that Board members put themselves forward for (re)election annually. Specifically, the Nom Co would review the skills balance of the Board and if this balance was felt still to be appropriate, the current composition would be put forward for (re)election to the Supervisory Committee.

The POL Main Board would retain operational control largely, as envisaged in the ToRs and DoA today, accountable to the Supervisory Committee for shaping the strategy, overseeing the performance of POL, with a continued requirement to seek consent for certain matters pursuant to the foundational governance documents (subject to agreement).

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Proposed Two-tier Board structure

Supervisory Board
Role: Guardian of Purpose, Values and Principles, Articles, Framework and Funding Document
Hold the Board to account and influence strategic and operational initiatives
The consultative body, and body for making representations on behalf of the constituencies represented
Approve matters reserved by the Shareholder Documents for approval by the Supervisory Board (the funding request); and
Make decisions on those matters reserved to the Supervisory Board as set out in the Shareholder documents (such as strategy)

Supervisory Board
Independent Chair
3 Gov't Reps
2 Postmaster Reps

Managing (POL) Board:
Independent Chair
6-8 INEDS
2 Execs

Managing Board
Role: Determine Group Strategy consistent with the Purpose and the Values and meeting the needs of its stakeholders (and Shareholder);
Oversee Group business in accordance with strategy
Motivate and retain an Executive qualified to deliver the strategy
Hold the Executive to account in the performance of its duties, taking into account the views of the Supervisory Board and
Oversee culture (not overt in the current ToR), and separately, risk and internal audit framework. Designed to provide adequate assurance as to the capability and capacity to deliver the strategy and protect the Group's operating environment and reputation.

Remediation Co:
Independent Chair

Investment Co:
Independent Chair

Audit Co:
Independent Chair
(Risk to become Exec level committee)

Rem Co:
Independent Chair

Nom Co:
Independent Committee

Executive Team:
CEO, CFO,
CTO, CPO, GC, CRO,
Support: CoStaff

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Foundational governance documents

- Any restructure to a two-tiered model would require administrative support and need an allocated budget. There will also need to be cohesive co-ordination between the POL Board, the SEG/GE and the Supervisory Committee. Ensuring that the company secretariat is empowered to act effectively in support of the Chair, POL Board and the Supervisory Committee will be critical. A table summarising the characteristics of the Supervisory Committee and Board structures is provided in Appendix 3.
- Given all the intricacies explored here, we recognise POL is unlikely to be able to rapidly move to a revised governance structure, particularly in an upcoming election period. However, we feel it is something worth seeking guidance on now, both for POL and Board members, particularly with the recent statement from the NFSP which queries the ability of the Postmaster NEDs to be effective at Board as a Director and representative of Postmasters.
  - On 19 January 2024 NFSP released a statement expressing its reservations about the role of the Postmaster NEDs on the Board of POL. Specifically, the conflict-of-interest position it places on the individual who is both unable to vote on many decisions taken by the Board yet is bound by confidentiality and therefore unable to act as an effective feedback loop with colleagues, brings into question the lack of transparency and overall effectiveness of the role.
  - In its statement, NFSP suggested the benefits of an Oversight/Supervisory Committee which provides the opportunity to enable full scrutiny.
  - Whilst we understand the perspectives brought by the Postmaster NEDs are considered invaluable at Board, the NFSP statement warrants consideration.
- A potential interim measure to consider would be shifting the role of the Shareholder (and Postmasters) at Board to observers. This model is often favoured by investors or venture capital funds where observers can influence Board decisions, but do not have any voting power or fiduciary duties.
- This two-tier board construct has both pros and cons:
  - In terms of cons, costs in terms of time and resources can be significantly higher if the roles and number of members are not controlled. Decision-making can be slower if the ToRs and agendas are not strictly aligned and managed well. However, if the right people are occupying the right roles (with the right remit), then decision-making should be effective and efficient with an ability to identify root cause of delay/issue through the governance hierarchy. In terms of roles, it is imperative to provide the right balance of business/sector representation to provide the right capabilities in this supervisory forum for informed challenge and debate.
  - The pros (subject to the right balance and role representation) in POL's case, can enable better representation of Postmaster and Shareholder voices, as well as facilitating better decision-making by reducing overwhelm, providing a second review (with arguably more diverse thinking) of managerial decisions, and all whilst maintaining a clear focus on strategy and sustainability. It is considered that the two-tiered board would build a more balanced and positive directive force for the organisation.

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05 Leadership and purpose

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Strategy and purpose

In this section we explore the findings and make recommendations on governance aspects related to:

- Purpose and strategy
- Board leadership
- Executive leadership
- Measurement of performance – MI and meeting discipline
- Culture

For further points of evidence, refer to Appendix 2.

Key observations

- POL is effectively stuck between two seemingly conflicting objectives, and presently there is no longer term vision or purpose to guide strategic principles and/or development. Albeit the foundational governance documents are clear of the need to support a minimum branch network estate of 11,500 sites although HMG wants POL to become less reliant on the taxpayer.
- Accordingly, POL is unable to disregard its social imperative whilst at the same time attempting to move forward with its commercial sustainable initiatives.
- Strategy design seems to be tied to government funding cycles. This political backdrop is not conducive to driving much needed longer-term thinking.
- Generally, Business Unit level strategy is clear. However, a lack of visibility of a framework/consistent understanding of 'trade-offs' at the centre, and connectivity across business, leads to a high cost of indecision.

Overview of findings

- POL's public ownership is the founding tenet of its social purpose. To deliver on this, DBT has stipulated a number of principal objectives of POL which are set out under the Shareholder Relationship Framework. These objectives of POL are:
  - to maintain a network of post offices beyond its optimal commercial size as detailed in the Entrustment Letter.
  - A specific minimum branch threshold of 11,500 is specified by the Secretary of State in the Funding Agreement;
  - in so doing, meet the minimum access requirements specified for this network of post offices as detailed in the Entrustment Letter; and
  - provide this network of post offices to make available the services of general economic interest (SGEI) detailed in the Entrustment Letter (essentially this is about maintaining the branch network in accordance with certain access requirements to provide an appropriate level of service to the public).
- Future government funding is uncertain, so planning in the current environment is extremely difficult. Significant efforts go into reprioritisation within POL, wasting capital in the process (both financial and intellectual). As an example, there is an agreed programme to shut down c.100 directly owned branches with an annual cost-saving once complete of c.£25 million per annum. We understand this programme has been stopped and started c.4 times, where each time close to execution, funds have been re-orientated to support a different project, with no ability to challenge the rationale in the absence of a strategic framework.
- Ultimately, POL is stuck between maintaining the sub-optimal network/social purpose and developing its commercial side. Becoming a leaner, more efficient operation and building the Post Office of the future to meet people's needs (more digital) in the coming decades, whilst becoming more appealing as a franchise operator are all part of the vision. There is a need to invest to reduce costs in any scenario, which HMG is perceived as presently unwilling to consider on a strategic basis.
- This is a fundamental obstacle to the efficient and effective running of the business, and one that needs resolving. Although POL can take steps to improve its governance and become more efficient, real progress towards the business optimising its commercial platform can also be achieved.

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Strategy and purpose (continued)

Any change to the governance architecture at Board needs to be done with reference to the longer-term purpose, vision and ultimately a defined strategy

Actions

- Management and the Board need to unlock the current paralysis by agreeing strategic design principles to put forward to the Shareholder to enable discussion
- Any plan needs to consider a longer-term vision (and be de-coupled from the funding cycle, which it should inform) highlighting the opportunities and areas where there may potentially be market failure to demonstrate the longer-term ambition and purpose of the organisation.

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Leadership – Board

Board leadership

Key observations

- The paralysis around being able to progress strategy design principles needs to be unlocked and the query around how Board Leadership is driving Executive accountability remains, given the absence of being able to observe a Board meeting.
- Chairs' need to be disciplined in meeting time management and follow-up feedback loops around resolution of actions (as per interviews).
- The Board is currently without a Chair and is relatively new in its formation. In the absence of a long serving corporate memory, care needs to be taken in setting the agenda to debate and discuss issues thoroughly, and deliberately follow up on actions and feedback.
- Future composition needs to be addressed with urgency, with four members potentially rotating off this year – due consideration to corporate memory needed.
- The introduction of the two Postmaster NEDs has been beneficial however, feedback is working in an upward direction only.
- More informal forms of engagement are seen as beneficial by many Board membersso as to improve the effectiveness of formal meetings. That said, recent additions to the Board have improved the diversity of discussion and outputs.
- Concerns raised about the lack of visibility for non-Committee members of Committee minutes has now been addressed.
- The Board value executive pre-briefing sessions as they feel it provides time for more unstructured dialogue, and thereafter more effective outcomes in meetings (interviews)

Overview of findings

- The Board is relatively new. Aside from the Group CFO (who is on long-term sick leave), who joined in 2015, and the CEO who joined in 2019, the two Postmaster NEDs and the SID are the longest serving members joining the Board in 2021. Two other members joined in 2022, with the remaining four members joining in 2023.
- The Board is therefore still learning about one another and how to work effectively together. Nevertheless, whilst acknowledging that there is always scope for improvement, in their discussions with us, the Directors all considered that the Board is working well together in an effective manner and overall is 'fit for purpose'.
- Anecdotally, we also note from interviews that the current Board comprises more seasoned and mature individuals who, despite being relatively new as a group, evidence a better level of scrutiny, questioning, and challenge. These skills are leading to better discussions and more effective outcomes. We have not been permitted to observe a meeting of the Board and so we cannot at present comment further.
- We have concerns over the future make-up of the Board in the light of recent and future changes to its composition and the basic level of succession planning and skills mapping in place. We comment on this further in Section 7 – Composition, Succession, and Evaluation.
- Attendance is also good; 100% during this year with the sole exception of the CFO.
- Although the Board is working together well, discussions and papers are not always strategic enough and little in the way of follow-up has been seen on strategic plans. Equally agendas and timings are not always strictly adhered to, and meetings, from interim feedback received, are not always viewed as productive.
- Whilst the Board meets annually offsite for a dedicated strategy session, it is probably understandable that we have received feedback that these sessions have not been particularly productive, with general discussions on possible ways forward which are not worked up sufficiently.

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Leadership – Board (continued)

- As a result, the business tends to revert to more day-to-day activities, and the ideas put forward are not further developed sufficiently, for the strategy to move forward.
- We do question the lack of pace around putting forward a longer-term strategy to the Shareholder given the guidance in the foundational governance documents. This would help to crystallise the Shareholder's thoughts on the longer-term purpose.
- Whilst this is a difficult position for POL, we recommend that strategy days are used to develop ideas to be put forward to DBT at an appropriate time as outlined above. These proposals can then be explored and worked up into more rounded proposals that look 5-10 years ahead.
- The introduction of Postmaster NEDs to the Board in 2021 has proved successful and given the Board valuable insight into the experience of Postmasters across the UK branch network. This includes a much greater understanding of their issues. Whilst this has provided valuable upward feedback, it does not appear to us that the benefit has been realised of providing feedback in the opposite direction. NEDs do not, for example, present back to the Postmaster community, sharing talking points or insights. This seems to be a missed opportunity. At Postmaster conferences the Board receives feedback from Postmasters and the CEO presents his view, but again there are not seen to be forums at these events for the Postmaster NEDs to communicate with the Postmasters. We recommend that consideration is given to ways in which the Postmaster NED role could be developed to be more effective in future.

Actions

- Discuss at Board what can practically be achieved over the next 6-12 months under the stewardship of the Interim Chair. Ensure any priorities are communicated within POL;
- Consider a regular cadence of more informal get-togethers to allow for unstructured discussion and building of trust;
- Meeting discipline, stick to agenda timings and/or review meeting cadence;
- Feedback loops on strategic progress between SEG/GE and Board to be improved (and captured); and
- Review the role of the Postmaster NEDs and consider how their corporate memory can be leveraged i.e., the role they can play in being ambassadorial champions at Board, and within the wider organisation.

Foundational governance documents

The foundational governance documents

Key observations

- The Board needs to establish how the Shareholder position is to be reset and ensure, as best as possible, foundational governance documents are amended to drive clarity (whether on an interim or longer-term basis) on areas of POL's authority (or not) and communication channels.

Overview of findings

- Reporting obligations and matters requiring the consent of the Shareholder are set out in various foundational governance documents which also connect to wider guidance such as the UK Code and Managing Public Monies.
- The principal requirements (in terms of ongoing engagement) contained in the foundational governance documents are, in summary, an obligation to provide a quarterly performance update, proactively endeavouring to share information on key strategic or policy issues, to share details of 'Relevant issues', as defined, and to seek Shareholder approval when required (for Board appointments, funding, etc).
- Currently, however, there is almost continuous dialogue between POL and UKGI/DBT, both in terms of POL responding to requests from UKGI/DBT for information/clarification on various matters, and POL asking for advice, guidance and operational approvals. These habits appear to have developed over time and partly arise from POL cultural and capability issues. They are also a result of the heightened oversight in response to the pressure to resolve historic issues. Without the clarity to achieve the practical application of certain guidance set within the foundational governance documents in terms of what is within/or not within POL's authority on certain operational transactions this is set to continue.
- In order to move forward, we consider that both POL and the Shareholder should make efforts to reduce the day-to-day interaction and become more 'arm's length', as currently this is introducing unnecessary bottlenecks in the system and impairing decision making. The strategic aims should be clear, subject to POL and DBT coming to the necessary agreements, and POL should be empowered to get on with running the business, subject to any specific priorities the DBT wishes the Company to address, and which are set out in the Minister's annual letter to the POL Chairman.
- Equally the current funding cycles (between one and three years) are restrictive for providing clarity regarding long-term business planning. The last statement of Government policy for the Company is more than ten years old and this policy urgently needs to be renegotiated and updated (when appetite prevails)

Actions

- Board to agree appetite and principles around alternative interim governance arrangements such as shifting to having observer roles on the Board
- Review interim measures and therefore impact on the foundational governance documentation to provide clarity
- Any rework of the foundational documents need to, through the Shareholder Framework Document, work towards reducing the interaction between the Board and Shareholder for operational matters (and/or provide clarity as to what is not within POLs authority), so confirming in practical terms what is required
- Annual and three-yearly budgeting cycles are not supportive of the major, long-lasting investment schemes needed for the successful delivery of strategic priorities and the sustainable transformation of POL. An overarching, rolling five-to-ten-year funding facility with the one-to-three-year budgeting cycles feeding into this framework, would enable the clarity required for such a long-term plan.

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Executive leadership

Executive Leadership

Key observations

- SEG needs to pull together as one mutually trusting collective, driving clarity and being unified by culturally aligned measures of performance. An Implementation Committee could help by providing focus to the business transformation that needs to take place (Refer comments in Section 6).
- The direction of travel in moving towards a more simplistic decision-making structure is appropriate. Protocols, requirements and accountabilities should be reviewed and communicated to optimise and support this change.
- Decision making, decision criteria and reporting are ambiguous, creating significant risks in resource utilisation. At such a sensitive time, effective internal communications are paramount; between the SEG and the Board, as well as between SEG and the wider organisation.
- Concerns around the executive leadership remain – capacity, focus, retention, and meeting discipline all need to be addressed.

Overview of findings

- Although time is needed for the SEG to build the collective competence, narrative, stability, corporate memory, and effective, collaborative ways of working, the team also needs to pull together as one mutually trusting collective, driving clarity and being unified by culturally aligned measures of performance.
- Streamlining the organisational structure to a simpler hierarchy is a big step in the right direction. Historically, layers or processes and controls have been built around the enabling functions, whereas in reality, the organisation needs to address root causes around capability, organisational structure, and the lack of clarity in roles and accountability. Base information requirements, accountabilities, monitoring/reporting and communication protocols should be agreed and communicated, with a focus on those forums that have the highest strategic importance.
- Given the level of noise surrounding POL, the SEG needs to communicate its collective purpose and individual roles in addition to working more effectively as a cohesive leadership unit. The SEG should be role-modelling the “to be” desired culture and behaviours.

Points of note from survey and interviews

- Historically GE member behaviours’ have been sub-optimal with various individuals acting in isolation, betraying confidences, and openly criticising each other, not calling out negative behaviours, all of which has led to a lack of trust.
- The inability of the GE to unify around decisions meant that the Board was being used as a forum to find agreement.
- Effective internal communications are particularly important to maintain employee engagement and trust. Comments made that internal communications are treated/prepared in a similar manner to external communications– with a “political” remit and tone of voice, lead to a lack of authenticity and trust. Feedback suggested that colleagues need to be trusted with more and richer information.
- The current CEO is a good communicator and is held in high regard.
- There remain concerns however about Executive leadership capacity, as well as CEO focus and the ability to build out a stable and high-performing management team. It has been noted that some members of the leadership direct activities to protect their own interests or drive their own agenda, which is frustrating and costly to the business.
- GE discussions are not useful and suffer from a lack of insights with some bearing the role of “educator”

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Executive leadership (continued)

Action

- SEG to be intentional about how it is perceived as a cohesive leadership group. Agree high level cultural principles that they can coalesce around as a team and role model to the wider organisation (and hold each other to account)
- Consider outlining a high-level communication plan with the business
- The newly-formed SEG needs to think through a communications plan to signal their intent of a wider organisational reset for people and stakeholders.
  - Start to build up thematic milestones that bring people on the journey. These can consist of three phases: Reset – re-establish principles, culture and tone from the top, Rebuild – the internal hierarchy, communications and cross-functional ways of working, then Reboot - with a longer-term vision with stakeholders. The purpose is for leaders to move the organisation through stages of decreasing dependence into stages of increasing collaboration, empowerment and independence, set within clear governance and cultural norms.
- Ensure any terminology in updated roles, responsibilities etc does not create confusion with the foundational governance documents, such as the use of the term “Executive”.

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Measurement of performance

MI, minutes, agendas

Key observations:

- Rolling agendas, until recently were not sufficiently structured to include a balance of forward-looking discussion;
- MI, whilst improving, is inconsistent in quality, voluminous and not in a format that is effective in supporting Board or GE decisions. MI needs to be synthesised to pull out what is important from the data;
- Throughout a review of minutes at Board level over the last 12 months it was noted that there was a lack of clarity as to whether actions had been resolved or removed because of inaction. We understand from interviews this is prevalent within the central function as well.

Overview of findings

- We have reviewed most of the papers, Management Information, agendas and minutes of the Board and Committees for the period betweenSeptember 2022 to December 2023
- Whilst interviews indicate the quality of Board papers is improving, it remains voluminous with little in the way of insights. We consider MI is still not supporting effective decision-making in the way that it should. From commentary in interviews, points were made that in the absence of strategy, MI is often presented in a way that prioritises each author's personal agenda.
- Equally there are still instances of papers being submitted late, being overly long, poorly prepared, not presented by the person who prepared it, not including specific recommended conclusions or guidance, and often containing limited metrics by which outcomes can be judged. There are exceptions, for example some of the retail and/or the monthly financial reports. We understand that the revised finance report has gone down well with the Board which was unsatisfied with the previous version, although it is unclear as to why this matter was not previously raised and dealt with.
- We also observed that a significant proportion of the information presented to the Board is operational in nature. When we probed the reasons for this in interviews, it appears to be twofold, either;
  - a tendency for management below Board level to defer making decisions on matters which are technically within their scope of responsibility. The propensity is to push decisions up the line, frustrating authors who have spent time preparing insights
  - a duplication of the same information going into multiple sources with authors unclear as to purpose
- Whilst this may be appropriate in limited circumstances, this seems to have become normal practice. The result is that the Board is not having the proper discussions that it should have around the themes that drive the commercial success of the business. We comment further on this practice below under 'culture'.
- We also note comments in interviews regarding a lack of clarity on assigned actions out of Board/GE meetings, where assignees are not informed in a timely manner.
- Minutes of meetings are considered to reflect the substance of discussions and decisions are taken accurately. They tend to be drafted in a narrative style, recording comments made at some length, rather than concentrating on decisions taken. Opinions on the style varied amongst the individuals that we interviewed, but this is more a matter of individual preference rather than good practice. If the Board is satisfied that the minutes are accurate, we would not recommend any change.
- We understand that committee papers and minutes are now available to all Board members as several of the NEDs found that the information coming to the Board gave a limited view of matters across the business.

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Measurement of performance (continued)

Actions

- Simplify, centralise and streamline papers, reporting and dashboards and key metrics– 'less is more.'

Also ensure

- that actions assigned from the GE/SEG/SLG, are communicated on a timely basis to those not in the respective meetings
- the Board is provided with higher-quality papers with analysis, conclusions, and recommendations. Recommend dashboards are considered for all which measure/illustrate impact across a series of financial and non-financial measures.
- papers are presented by the person who prepared them and provide specific recommended conclusions with accountabilities for action points that are followed up and acted upon
- guidance is given to those responsible for the preparation of Board papers on ways to make them more rigorous and more strategic
- the Board/Executive/SLG makes it clear when papers are being prepared in a way which does not meet its needs and where and what changes are required
- training of the new SLG is provided on how to write good executive summaries and emphasise the importance of reliable information.

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Culture

Key observations:

- There is a pervasive culture throughout the organisation whereby individuals are reluctant to make decisions. This is thought to be due to fear of getting things wrong, the extreme public scrutiny, lack of clear accountability and management of underperformance. There is also an acute interest and over-reliance, and even at times, a governance requirement for Shareholder input both on historical matters, BaU and strategy.
- It is unclear at Board level who owns the people agenda.
- There is no recognised culture dashboard which seeks to either frame or monitor the culture.
- The untimely agreement of reward structures continues to impact clarity around prioritisation, performance management and motivation.

Overview

The pervasive culture throughout the organisation whereby individuals are reluctant to take decisions was clearly stated to us by virtually all interviewees, both at Board level and below. This has a detrimental effect on the effective working of the business. The reasons for this and the effects of it are varied but include:

- the extreme pressure that the Company is under. POL is in fire-fighting mode dealing with legacy issues as well as the inquiry developments. This is coupled with hostile media coverage and Government distrust, leading to micro-management. This micro-management is counter-productive (although understandable) and is engendering a siege mentality, which is sucking up resources and inhibiting positive action;
- there is a culture of fear of getting it wrong, so it is easier to put decisions aside if the accountability is not absolutely clear and followed through. Driving this is an intense amount of public, media and Shareholder scrutiny, as well as potential FOI requests. Overall, there is so much external pressure to not 'mess up' again, that it is paralyzing activities in the organisation;
- in some cases, accountabilities are not as clear as they should be to counteract the above inherent weaknesses, both at an individual level, and in relation to committees and other management forums. There is also no universally understood RACI matrix to fall back on to unlock this;
- there is also a capability issue. This is material because it leads to making processes overly complex. Due to the present intrusive nature of the shareholder's oversight, many decisions go up to government, which is seen as very slow. People become immune to making decisions because of the number of people overseeing, considering and deciding. A reluctance to take responsibility means that operational decision making gets pushed up to the CEO or other GE members, taking valuable time away from their day jobs and, for the CEO, tying him down in operational decision-making when he should be leading;
- issues around the governance and delivery of the NBIT programme. The successful delivery of this programme is critical to restoring credibility with Postmasters. It also underpins the ability to undertake future internal investigations. Currently, we understand this is mired in delays and cost overruns, bringing into question the credibility of MI;
- the interviews and surveys reveal that individuals are not generally held to account for underperformance. Feedback indicates this may be due to risk aversion around managing people out of the organisation and associated implications. Others opined that the uncertainty around funding resulted in prioritisation/de-prioritisation of projects at short notice dependant on funding availability, was also to blame. Discussions with interviewees indicate that the necessary people policies and processes are in place to conduct effective appraisals – it is largely down to culture. Sanctions for non-adherence to policies (the policies themselves are good) is difficult because of the cultural ambiguity and the perceived behaviours being widespread amongst the leadership team.

Exacerbating this is a prevailing risk averse attitude from the Board, and combined with the above, people at POL are nervous to put forward more risky/commercially courageous options because they feel the Board will throw them out immediately. This is reflected in low scoring employee survey results around areas of trust/engagement/being empowered in their roles. Board risk appetite permeates so much of what happens in the organisation that it becomes a self-reinforcing cycle.

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Culture (continued)

Actions

- Clarify responsibility for the wider people agenda at Board level and amend the Board ToR to encompass people issues (refer division of responsibilities Section [6] for further details)
- SEG to agree a set of cultural design principles they want to start to role model and uphold as a leadership team
- Develop and implement a culture dashboard to frame cultural expectations, and against which to monitor the culture
- Consider a refresh of Company values to enable a change of culture and ensure this is underpinned by performance management
- Ensure a clear RACI system to clarify individuals' responsibilities and accompany this by an increased focus on performance management.
- Consider a communication plan which simply sets out thematic key milestones of the journey of POL and signals the purpose of the recent change at SEG

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06 Division of responsibilities

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Accountability

In this section we explore the findings and make recommendations on governance aspects related to:

- Board accountability
- Enterprise accountability

Covering areas such as, the effectiveness of decision-making forums, and impact and clarity of roles and responsibilities.

For further points of evidence, refer to Appendix 2.

Board accountability

Key observations/actions:

- Board division of responsibilities are largely in line with the UK Code and good practice, other than ownership of the broader People agenda (in terms of culture, D&I etc) being more explicit in ToR.
  - There may be merit at a future date in splitting Risk out from the Audit and Risk Committee to elevate the second line to better support and oversee cultural transformation. However, there is limited capacity at present. Refer to Section 8 for further details
  - Consider whether Rem Co and Nom Co are delivering against their respective ToRs and agreed how any gaps can be address by review DoA, capacity, agenda, meeting timings etc. We appreciate the work of these Committees has been impacted by the absence of a CPO until summer 2023 (refer to further comments in Section 7).
- Attention is needed to ensure that sufficient visibility/cadence of information is flowing from Subsidiaries up to the POL Board. This includes connectivity between the Board and Committee Chairs with Subsidiary peers (there were varying views on visibility coming from interviews). We understand this routinely happens at Audit Committee level. Refer Appendix [4] for further comment.

Executive accountability

Key observation

- From our findings we consider the GE does not operate effectively as a decision-making group and is poorly supported. This is due to several issues;
  - the vast number of matters brought to it for decision
  - large number of individuals reporting directly and indirectly into the CEO (currently being addressed);
  - low-level delegated authorities that limit decision-making; and
  - an understandable level of risk aversion, leading to semi-paralysis and a general avoidance of decision-making, which is also impacting performance management. Given the public scrutiny and government ownership dimension, there seems an organisational reluctance to manage underperformance.

Communication and clarity on new roles is key going forward. As an example, from interviews (including Board members) many were not clear as to the role and remit of the Deputy CEO beyond providing the CEO with further capacity.

Overview of findings

- The existing POL governance structure is extensive with numerous levels of committee constructs. The vast number of committees lead to an "untidy house" where proper recordkeeping, (the corporate memory) and decision-making mechanisms and opportunities, (the corporate brain), are not working together to deliver the purpose. This complex decision-making framework clouds accountability leading to a lack of effectiveness and transparency in decision making.
- A simplified decision-making structure would facilitate effectiveness and, accountability, as well as speeding up the decision-making process. This is recognised by the SEG who is currently in the process of redesigning the decision-making structure. We highlight these actions on the following page.
- The POL leadership team composes of:
  - The Group Executive (GE), a group of 12 individuals who report into the CEO

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Accountability (continued)

  - The SLG, also known as the GE-1 who report into the GE; and
  - A number of senior leaders across the organisation who are not members of the SLG
- The combination of these three categories is referred to as the Senior Leadership Group (SLG) which, until recently, met monthly for the communication of board and GE decisions and wider decision-making.
- This group had comprised of 100+ individuals, which is now being reduced to roughly a quarter of the size.
- The GE's ToR, which again are being reviewed, state that its purpose is to assist the CEO in strategy development and implementation, operational and financial performance monitoring, assessment and control of risk, etc, with the GE functioning as a forum for discussion, decision-making and problem solving. The GE met once a week for this purpose and SLG met monthly for the full day.
- The GE is then further supported by 12 sub-committees.

According to most survey respondents and interviewees, some key points of note relating to the effectiveness of the construct above include:

- Attendance at SLG meetings is relatively low, and discussions can be unfocused so yielding few actionable decisions.
- Across the SLG forums and committees some individuals reported that despite lengthy deliberations, there is limited challenge or value added to the matters, leading to a belief that there is limited understanding This is despite papers being provided beforehand, and/or little need to put effort into papers in the absence of decisions being made.
- There is duplication of papers across decision-making groups which can sometimes appear to take decisions on the same matter twice. We found specific mentions of this happening between RCC and ARC and RCC and Retail Committees.
- The effectiveness of certain working groups is not clear. For example, the Improvement Delivery Group (IDG) does not have metrics or key performance indicators to measure or evidence its effectiveness in terms of impact. Furthermore, some committees, such as the Historical Matters Committee (HMC) should, given their ToR, report directly into the board. In practice, however, the HMC reports into the GE, which in turn reports into the board.
- Authority of committees is not clear. IDG was given as an example where it appears to be a body that largely hears and collates actions/information rather than take decisions.
- Committees/forums within the SLG generally act as stage gates with anything of significance going to GE. This means items are debated and heard twice for approval.
- MI and sub-committee (Sub Co) reporting is falling short of desired levels leading to generally unsupported decision making.
- As highlighted, numerous comments to the effect that a risk-averse environment has emerged amid fears of making decisions that should ordinarily fall within their roles. The inquiry is generally causing nervousness and is leading to an avoidance of accountability. This avoidance of accountability and risk-taking is leading to a higher level of input being required from legal colleagues, and it is the legal function therefore, that is driving decisions in some cases.
- Meeting discipline in terms of capturing actions and providing an audit trail around resolution (or not) varies across forums and committees.
- In certain cases, individuals are willing and able to take decisions, but are prevented from doing so by low delegated authority levels. For example, 'spend' approvals for transactions on operating expenses at Executive level is £5 million. An organisation with the size and complexity of POL's operations would routinely engage in transactions far in excess of this amount. This is resulting in a proliferation of comparatively minor decisions being escalated to the board.
- With Postmasters, we understand there to be over 80 varying franchise agreements. We understand there is a desire to synthesise these, although it is not thought to present a risk. However, in terms of developing future strategic models, this may need to be reconsidered.

We are aware that changes in Management reporting lines are underway, however during our investigations we were informed that in addition to the CEO's direct reports, other executives also report to him on matters which they should be deciding on at their level. As well as an excessive number of direct reports, he is also making unnecessary decisions on operational matters.

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Accountability (continued)

Work in flight

- As mentioned, current proposals to reduce the direct reporting individuals into the CEO to seven are in train and this will form the nucleus of the Executive leadership team to be known as the Strategic Executive Group (SEG).
- Further proposed changes include the slimming down of the wider leadership team or SLG from over 100 individuals to a group of 20-25, and the overhaul of Sub Cos and working groups.
- We are informed that the full leadership team and the refreshed GE sub-committees will be announced in late March 2024. We consider that these arrangements are satisfactory and will improve governance at POL.
- We are also encouraged by the approach namely, to design the Committee requirements, purpose and roles ahead of identifying the individuals, which will be done based on skills and experience for the role and not necessarily on seniority.
- As part of this process all ToR, DoA's at the GE and GE-1 level will be reviewed.

Actions

Continue with

- the streamlining of direct reports and associated DoA/ToR except for risk, which we feel should be elevated to reporting directly into the CEO (refer Section 8 for further discussion). Illustrative diagram provided on page 44.
- the streamlining of GE sub-committees ensuring their responsibilities are mapped out to identify gaps and overlaps, as well as to ensure synergy. Support for adequate board paper preparation should be provided where needed. Refer to page [43] for illustrative diagram
- Consider the merits of an (interim) Implementation Committee to spearhead the reform effort.
  - This Implementation Committee should include no more than six individuals from the reformed SLG group who are fully convinced and committed to the pressing requirement for such fundamental reform.
  -
  - They should have a willingness to champion these changes publicly and be clear how each element complements one another and contributes to the whole.
  - The Implementation Committee to be led by an INED from the board with appropriate transformation expertise, and include a combination of the Deputy CEO, relevant SLG members and possibly an INED from a subsidiary board.
  - The Implementation Committee to be supported by a highly capable and experienced project team (in our view led by the current Chief of Staff) to manage the various dimensions of reform implementation. The committee's aim will be to anticipate, manage and resolve, in a rigorous and dispassionate manner, the intricate technical, organisational and political issues that will inevitably arise.
  - The committee could then act as a challenge to the strategy design being led by the SEG and in the interim, act as the oversight for a number of the current GE transformation committees, ensuring a company narrative is created around trade-offs.
- Review the DoA spend approvals to drive relevant decisions being taken at the appropriate levels thereby managing and reducing the frequency of simple matters escalated to board.
- Communication will be critical in terms of supporting this transformation to ensure governance is rebranded and the case for change understood. We comment on this further in Section 4 related to Executive leadership.

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Proposed Two-tier Board structure

Executive Team:

CEO, CFO,
CTO, CPO, GC, CRO,
Support: CoStaff

Implementation Committee

Historical Matters Funding Meeting

Culture Coalition

Risk and Compliance

Retail Committee (incl. Property Committee)

NBIT (Strategic Platform Modernisation Committee)

Investment Approvals and Delivery Group

Transformation Board

Inquiry Steering Committee

Post office Pension Plan Governance Group

Data Governance

Technology Committee

Improvement Delivery Group

Health and Safety

Key: blue roles highlight new roles/committees to be considered

Proposed non-GE level committees

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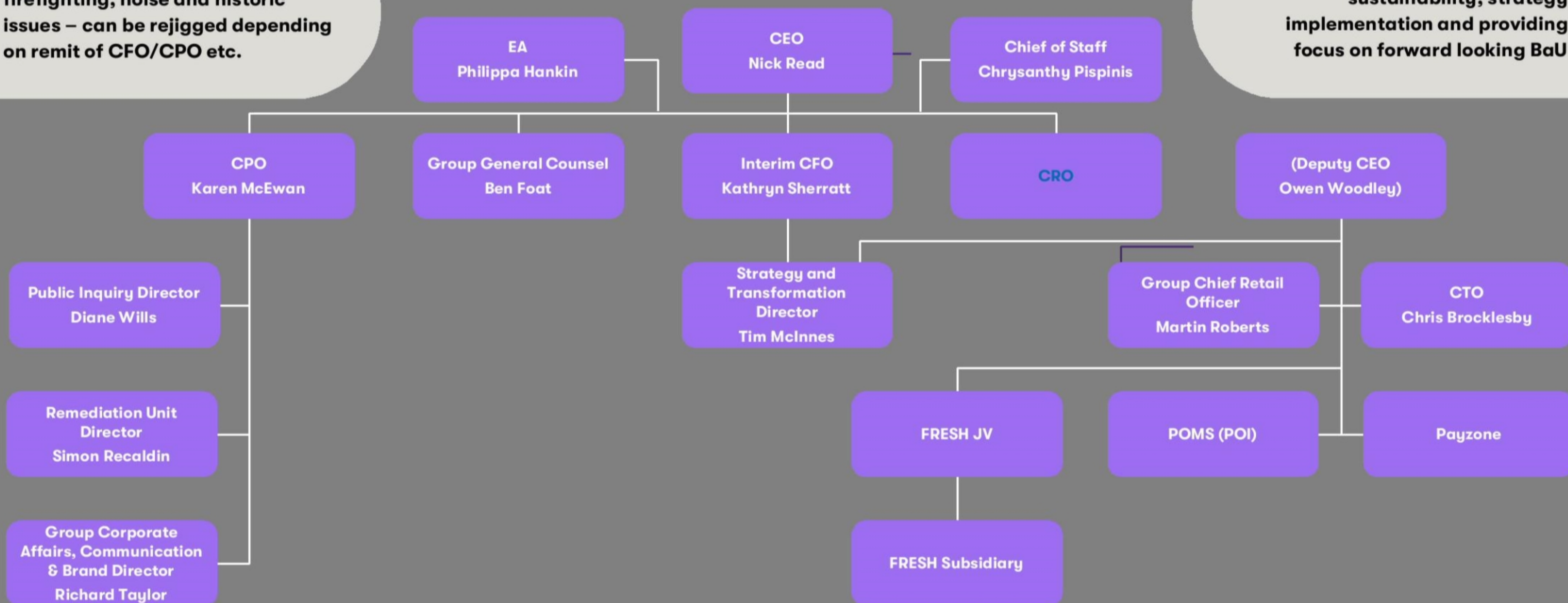
Proposed further simplified executive reporting structure

This side dealing with culture, firefighting, noise and historic issues – can be rejigged depending on remit of CFO/CPO etc.

This side dealing with sustainability, strategy implementation and providing focus on forward looking BaU



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07 Composition, succession and evaluation

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Composition – Board

In this section we explore the findings and make recommendations on governance aspects related to:

- Composition of the Board
- Composition of the Executive and SLG
- Succession planning
- Performance management

For further points of evidence, refer to Appendix 2.

Composition of the Board

Key observations:

- Over the last 15 months, the Board has experienced eight role changes including two new Chairmen. That said some obvious skills gaps remain – as well as a lack of diversity.
- The very recent departure of the Chairman, the imminent rotations of INEDs (and Postmaster NEDs) and the long-term absence of the CFO, make for a perceived weak directive and decision-making / oversight body. Corporate memory needs to be carefully managed.
- The Board along with the Shareholder need to consider a response to the NFSP statement, released 19 January 2024, which queries the viability of the Postmaster NED role, in addition to raising concerns around the original selection process.

Overview of findings

- The Secretary for Business and Trade asked the POL Chairman to step down from his role with immediate effect. The intention is to appoint an interim Chair to take on the role pending the search for a permanent successor. We understand, however, that Ben Tidswell, the present SID, will take up the post until a replacement is found, or until he leaves in July 2024.
- Further board rotation is imminent alongside this process with expected departures of two INEDs and the two Postmaster NEDs within the next 15 months.
- Individually, all board members have significant experience and expertise both at executive and Board level. Interviews cite that there is improving diversity of discussion and debate at Board. However, the Board is still learning how to best work together and be most effective as the uppermost decision-making and oversight body of POL. It is usual to "sacrifice" the first 12-18 months to becoming fully effective.
- There is, however, a lack of gender diversity within the board when compared to best practice. Currently only two members of the ten permanent board positions are held by women.
- It is of paramount importance to urgently recruit new board members with appropriate skills, experience, and who will 'fit in' to the current Board, a task that will be made significantly more difficult by the current negative public perceptions surrounding the Company's probity. Clearly the identification of a Chair is key to informing further recruitments.
- It appears ill-thought through that both Postmaster NEDs are due to leave at the same time, having only served one term of three years. That POL did not anticipate this issue in terms of corporate memory until recently points to the poor succession planning. No thought appears to have been given to transfer of knowledge/roll over with both rotating off at the same time. There is no transparency as to formally how this is going to be dealt with beyond, we are aware, of a recent decision that "one" will be extended.

Points of note from surveys and interviews

- The board has gaps in experience and skills in technology and digital transformation at a critical time in its development with the replacement of the Horizon IT system and concerns around the delivery and cost. There is also a perceived lack of experience in dealing with government/Whitehall and the civil service generally as well as franchise expertise;
- All cite how much they underestimated the complexity with the Shareholder in terms of governing the organisation;

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Composition – Executive

- Many raised the desire for more informal get togethers to build trust and have unstructured dialogue given the breadth of the agenda at POL equally all highlighted an absence of a formal learning and development programme
- The Board does not regularly review its diversity with regards to background, ethnicity, gender and other minorities; and
- There is acknowledgement that the Board is ultimately approved by theShareholder which influences its composition.

Actions

- Succession planning needs to be overhauled and driven forwards with the design principles of the skills matrices agreed at Nom Co. New and appropriately skilled Board members need to be recruited urgently with a view to filling skills gaps, addressing diversity and rotation timings.
- Given the immaturity of succession planning, Nom Co membership to potentially be reviewed to include having the Chairs of all the Committees as members to provide a diverse perspective on management pipeline.
- Nom Co to take the lead on addressing the future viability of the Postmaster role at Board.. With the NFSP also raising issues around the validity of the original selection process the Nom Co should seek to establish what corporate memory exists around this to be able to address any future concerns or processes.
- Nom Co to agree design principles for the skills matrices. These to be mapped urgently to support informing the future "to be" composition plan
- Consider how the Board is going to support the SEG.
- Nom Co/Board to consider extending terms of Board members due for rotation this year.

Composition of the Executive

Key observations:

- At an individual level, the Executive team is an experienced group however, history suggests the group is not optimised yet and working together as it should. Innovation is being stifled and objectives are misaligned, but we are encouraged that there are fundamental steps being taken to drive different outcomes to build leadership capacity and accountability.
- The absence of a (permanent) CFO is causing issues both at board and in operations and this needs attention. The potential departure of the Deputy CEO needs to be addressed.
- Numerous "People issues" within the organization, including confusion around roles, accountability, and cultural behaviour, as well as complexity of legacy reward schemes, mistrust around pay, high staff churn, and confusion due to lack of corporate memory.
- The entire "People" agenda (at Board and operationally) and its numerous related issues– most importantly performance management and accountability – requires a laser sharp focus on rapid implementation.
- It is acknowledged that the current level of "noise" surrounding POL is a huge distraction as well as being an impairment to successful recruitment. Urgent steps need be taken to avoid gaps in the Executive team developing and a COO should be the next recruitment focus.

Overview of findings

- The current Executive team is largely untested and although the accumulated competence and experience should be in place, history would suggest that as a group they have struggled to form a cohesive team to develop an innovative and sustainable strategy. They are without doubt an experienced team of individuals, however, without aligned and unifying objectives, the collective is in danger of demonstrating little cohesion, which in turn reflects poorly on the CEO.
- The current CEO (and CFO) has been in role somewhat longer than the external board members however the absence of the CFO from the business for an extended period at such a critical time poses issues. The capable deputy CFO has stepped in on an interim basis however, this key position needs to be filled permanently with the right calibre of

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Composition – Executive

- individual to oversee and support the anticipated transformation. In addition, the absence of a permanent CFO is causing issues with board resolutions and this issue needs to be resolved as soon as possible.
- There are a number of other (relatively) senior roles which are currently filled on a contract basis. This is exacerbating the lack of corporate memory across the organisation, reducing accountability, and ultimately leading to an increase in staff churn.
- Furthermore, the Deputy CEO has indicated his desire to step down in 12-18 months, which if actioned will leave a significant capability gap as we understand he has been impactful in the current role. As part of the wider recruitment plans a COO should be recruited without delay to enable a sensible handover period and ensure an avoidance of further capability gaps occurring in key positions at both Board and Senior Management level.
- Feedback suggests that there are a large number of 'people issues' which have been exacerbated by the historic lack of an incumbent in the Head of People role. These issues include lack of cohesion in leadership, confusion (and duplication) of roles and responsibilities, lack of skills matrix and lack of performance-based conversations, accountability ambiguity, lack of diversity and inclusion awareness, and general poor cultural behaviour. Other issues include the complexity of legacy reward schemes, mistrust in the organization about how pay is determined, high staff churn, and confusion/slow decision-making resulting from a lack of corporate memory.
- A newly appointed Head of People, (October 2023), has all these issues as immediate priorities and a three-year people delivery plan is imminent. We are encouraged that her outline proposals for tackling these issues are focused in the right direction in addressing the gaps. A lesser priority is the lack of any formal learning and development plans for directors.
- Further points of note from interviews and survey
  - While new additions have been additive in bringing new, valuable experience, there has not been enough time to re-build collective competence and ways of working
  - It is felt that sometimes recruitment is perceived not to routinely be conducted on a transparent basis with reference to the absence of a framework of skills, competencies etc and no EDI thought put into interview panels and targets.
  - Capability overall is lacking when it comes to breadth and depth, and increased expertise and experience in certain areas is needed, such as transformation management, effective leadership, although recruitment limitations (ie remuneration and government thresholds/appetite) and reputation recognised as limitations in this regard
  - There is limited cross functional working across POL leadership and more needs to be done to facilitate the building of leadership teams

Actions

- A more structured approach to recruitment and senior appointments needs to be implemented without delay.
- Push for clarity on CFO role in the SEG
- Consider merits of a COO role
- Continue with the build out of the skills matrices for leadership, EDI to be integrated into thinking
- Review recruitment process
- Learning and development plans to follow
- Communicate changes and ensure where possible transparency around process

Succession planning

Key observations

- To date succession planning has been poor at POL and there is a heightened need to drive this forward at pace. The lack of a proper succession plan for key senior roles (CEO, CFO, etc.) is a growing risk that is causing wide felt repercussions at Board and at Executive level.
- There is too much board role rotation, and this is impacting the corporate memory, decision-making and oversight effectiveness.
- The current lack of transparency around senior appointments is hampering board discussions and leading to an erosion of trust. In addition, a structured approach to internal appointments is completely lacking and should be implemented without delay.

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Succession and performance management

- In the survey scoring this is one of the areas identified as highest priority yet receives the lowest scoring in terms of effectiveness/impact (red score below against the general Board benchmark in the third column)

The company's leadership and talent management evaluation and planning are in good order.	6.4	50	74
We have a satisfactory succession plan for key roles in the management team.	4.5	49	64
The board's contribution to matters concerning management appointments and development of a diverse pipeline has led to the desired outcomes.	1.8	47	73

- As highlighted feedback acknowledges concerns around the lack of proper succession planning – at Board and for key senior leadership roles as it appears that POL did not anticipate that the two Postmaster NEDs would be stepping down at the same time. The lack of awareness of the wider impacts on corporate memory until most recently, coupled with the lack of formal discussions as to how this should be addressed, (other than one role is to be extended), points to a weak capability in this regard.
- The lack of succession planning around the key senior leadership roles of CEO, CFO etc. is causing concern. Succession planning is a key process in ensuring the organisation can deliver on its objectives, focusing on the right number of people, with the right skills being employed in the right roles and at the right time.

Action

- Per comments on page 46 Nom Co to oversee immediate action to start to address issues around skills matrices, recruitment processes etc that underpin succession plans.
- In the absence of a strategy Nom Co to agree with the SEG succession planning design principles
- Head of People to continue to drive the process with reporting lines between Board, Nom Co and Rem Co clear in terms of remit of oversight and support in this area
-

Performance Management

Key observations

- Poor organisational culture – very little in the way of performance management in the business and very little done to tackle poor performance largely due to culture and clarity on strategic priorities, roles and responsibilities etc
- Related to this, a lack of transparency at Board around senior level recruitment and appointments.
- Key development areas highlighted in Board Effectiveness reviews over the last few years remain a gap today. The Board need to clearly establish why it has not resolveda number of the issues outlined both through internal and external reviews.

Overview of findings

- Internally, there is no structured approach to promotions, no skills or competency frameworks used as a basis with levels set for each cadre, no set requirements for interview panels and no requirement for EDI training. Externally, even though senior appointments could be kept quiet due to valid reasons, such as fears of leaks to the press, this is still hampering discussions and eroding trust in this important area.
- A number of relatively senior roles which have been filled on a contract basis rather than by new permanent employees which has exacerbated the lack of corporate memory across the organisation, reduced accountability, and increased staff turnover although we understand this is complicated by the ownership structure and foundational governance documents.

The CPO has all these aspects as immediate priorities. By the end of February 2024, she aims to articulate a 3-year people delivery plan which will begin to tackle these issues. We are encouraged by what we have heard from our discussions with her and consider that her outline proposals are very much focused in the right direction at this early stage.

Action

- We recommend therefore that people skills be reviewed, and that individuals be placed in their most suitable roles.
- Policies and processes for people management need to be enacted purposefully.

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08 Risk, audit and internal control environment

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Risk and control environment

The control environment needs to structurally evolve to enable those that are charged with governance to have the confidencethat the key financial and non-financial risks are understood, transparent and are being appropriately managed to drive value

In this section we explore the findings and make recommendations on governance aspects related to:

- Risk Management
- Risk policies and procedures
- Risk appetite, policies and procedures
- Risk culture
- Control environment

For further points of evidence, refer to Appendix 2.

Key observations:

- POL has relatively well set up risk management process and associated policies and procedures; however further uplifting of some of those is required as the risk management arrangements mature.
- The Central Risk Function needs to be elevated across the business to gain the necessary prominence so that POL can more effectively use risk management as part of improved strategic decisions.
- ARC papers could be significantly improved by introducing a more concise and data-driven approach of reporting.
- POL should undertake more pro-active steps in satisfying itself that it has an effective internal controls framework in operation.

Risk Management

- In our understanding, the central Risk Function of POL has been on a journey. The Risk Function resourced with appropriate skills and experience.
- In line with our expectation, the central Risk Function has the overall responsibility to oversee the corporate approach to risk management as well as defining and implementing risk standards, policies, procedures and guidance, identifying emerging risks and trends and producing regular reports to the ARC.
- Until recently, the Head of Risk has been reporting to the Director of Internal Audit and Risk Management. In the course of our review, POL has undergone executive changes, which have resulted in the Head of Risk now reporting to the General Counsel. This is because the firm has rightly identified potential conflicts of interest with the second line of defence reporting to the third line of defence. This change also brings the risk function in line with the compliance functions, which already reports to the General Counsel.
- Overall, we consider the decision to move the central Risk Function out of the remit of the Director of Internal Audit to be appropriate. However, given recent developments, the exposure the legal function has with the Inquiry, and a number of ongoing investigations, POL may want to take the action to re-consider whether a reporting line into the General Counsel could also potentially result in a perception of conflicts of interest.
- This is because the central Risk Function should remain independent and be able to freely challenge the rest of the business, including the legal department. In our opinion, it will be more appropriate if the Head of Risk has a direct reporting line to the CEO. This will also send a very strong signal to the business and any other interested parties that POL has given the risk function the level of prominence it should carry given current environment.

Action

- Re-visit the newly introduced changes in reporting lines as far as the risk function is concerned and consider whether more appropriate line of reporting should be introduced both from an independence and elevation level

Risk policies and procedures

- We are satisfied that POL has established an appropriate set of risk management documentation, including Risk Management Policy, Risk Management guidelines, Risk Register, Risk appetite statements for its enterprise risks and associated tolerances.
- Moreover, we understand that in the last two years, POL has also introduced a new Governance, Risk and Controls tool, ServiceNow, to help automate risk reporting. The team has also been restructured, streamlined to a relatively lean structure of three with the Head of Internal Audit taking overall responsibility for it. Further enhancements were also introduced to the existing documentation.

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Risk and control environment (continued)

- In our view, as the central Risk Function matures, some further enhancements to the risk documentation should be introduced. For example, some refinement of the roles and responsibilities of the second line of defence versus the business would be beneficial. Currently, the Risk Management policy states that the CFO has the overall responsibility "to ensure that the Post Office actively monitors and strengthens its approach to risk management and promotes a consistent risk-intelligent culture". Further consideration should be given to the identity of the executive sponsor of risk management in line with updated reporting lines.
- Similarly, we consider that the risk management documentation should more clearly feature the role of the central Risk Function as providing independent challenge to the business. Both the risk management policy and risk management guidelines should be updated to this effect in our view.
- The Risk Management guidelines mentions that Postmasters should be "risk aware" in defining their roles and responsibilities with regards to risk management. In our opinion, Postmasters have a critical role to play in ensuring that risks are managed, similar to the rest of the first line of defence, and this should be made clear within the remit of their responsibilities and all relevant risk documentation.
- In addition, the Risk management policy sets out a regular bi-monthly reporting to the Group Executives, ARC and the Risk and Compliance committee (RCC). We would typically expect that the frequency pf reporting varies according to the needs of the stakeholders. For example, we would normally see that reporting to the ARC is aligned to its meetings' cadence, reporting to executive forums is monthly and reporting to individual group executives is on a weekly basis or as often as they need.
- The Risk Management guidelines also refers to the Risk glossary as Risk taxonomy. We consider this incorrect. Usually, risk taxonomy refers to a system of categorising and organising risks and it includes the different types of risks that an organisation faces as opposed to the definitions of the risk terms used within documentation.

Action

- Amend the Risk Management policy and the Risk Management guidelines to consider the observations above.

Whilst, given other priorities, we do not consider this action critical from a timeline perspective, we are of the view that further uplifting of key risk documentation is required.

Risk Appetite, thresholds and tolerances

- Positively, POL has set up risk appetite statements for each enterprise risk as identified. These are supplemented by formal tolerances, which are established using the same definitions as for the risk appetite. However, it is unclear from the documentation we have reviewed what process was followed to land with these tolerances. Furthermore, we understand than no quantitative or qualitative thresholds were adopted when setting the risk tolerances. Typically, when risk tolerances are set, we would expect that risk thresholds, which refer to the specific levels of risk that will trigger a response or action will also be established.

Action

- Once POL has settled on its overall and risk strategies, a more holistic review should be undertaken to introduce more formal approach as to setting risk appetite, risk tolerances and risk thresholds. This will bring the organisation in line with industry practice and will foster more mature risk management process. This should also be reflected in an updated risk register, which clearly stipulates what are the risk thresholds that have been breached so for a risk to be outside risk tolerances.

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Board ARC Committee

Audit, Risk and Compliance Committee (ARC)

- We have reviewed the papers, management information and minutes of the ARC for the period between May 2023 and November 2023.
- The agendas we have seen are broadly in line with what we would expect to be covered in ARC given its remit. We note that they appear quitefull and cover a wide range of issues important to the business areas and it is unclear to us whether risk matters receive sufficient airtime and debate outside the formal reporting.
- In line with our commentary above regarding Board papers, we are of the view that the ARC papers could be significantly improved. Whilst reports cover largely the right content and appropriate level of detail, papers are currently relatively lengthy, contain mainly narrative text and are supported by little Management Information.
- We recommend that papers are significantly overhauled in terms of format and presentation so to ensure that the information is shared with the committee in a much more digestible and practical fashion. For example, we would expect that all committee reports follow a very clear structure, that is the same for all papers to the extent possible, and they make use a more concise format that is easy to understand. Additionally, we would expect that much more data-driven management information, such as key performance indicators and metrics, is included as part of the main body of the report, to support the narrative and provide a more comprehensive view of the risks and controls. Visual aids such as graphs, charts, and diagrams are usually used to provide a clear and concise overview of the risks and controls. This will help the committee to quickly understand the key points and focus on the most important areas. In practice, this may be best achieved in PowerPoint format report as opposed to traditional word format report.
- Based on our documentation review, minutes appear to capture the key points raised in the meetings, reflecting the discussion as occurring and there is clear attribution of comments. Actions and owners are also recorded.
- We haven't been able to observe an ARC meeting; however, from what we can see in the minutes there appears to be a good level of discussion with the Chair ably facilitating the debate. We noticed that both the Chair and one of the NEDs, Elliot Jacobs, appear to be providing a significant amount of challenge and ask pertinent questions.

Action

- Board papers into ARC need to be significantly overhauled in terms of format and presentation so to ensure that the information is shared with the committee in much more digestible and practical fashion.

Board ARC and Risk and Compliance Committee

- We noticed that there is a relatively high number of regular attendees of the meetings. We acknowledge that this may be result of the wide remit of this committee and therefore key executives across all these areas should be present. When we raised this matter with key stakeholders, we did not get the impression that this is in any way obstructing the meeting, albeit some comments about occasional distraction of the conversation were made. Nevertheless, we are of the view that as and when more fundamentals changes are introduced to the ARC, the list of regular attendees should also be re-considered.
- However, we were told in interviews that executives will benefit from more technical risk questions and input from the non-executives. As we have not observed an ARC meeting, it is unclear to us whether this is because there is not sufficient time for discussion that executives may need, with regards to risk issues, or this is reflective of the capability and skillset of the committee at present.
- We have raised the matter of potentially splitting the Audit, Risk and Compliance committee with Directors and other key stakeholders so to free time for more focused discussions covering either audit or risk. Our understanding is that currently non-executive directors are relatively stretched so to be able to populate one more Board committee will be difficult. Based on our experience, the industry has largely moved away from joint Audit and Risk committees and the current trend is for those to be run separately. Whilst this may not be the most pressing matter for POL at present, we consider that this should be addressed as part of a next wave of governance changes, and as the make-up of the Board is further reviewed.

Action

- POL should give a due consideration to splitting the ARC and look to appoint the new non-executive directors with specific risk skills and experience. Whilst some of the current Board Directors come with a strong operational risk profile, we consider that further risk expertise will significantly benefit the Board and respective committees. Separating the Audit and Risk Committee will also allow for more focused discussion and should lead to a deeper understanding of the risks and controls within that area.
- Furthermore, each committee can be held accountable for its specific area of responsibility so that there is greater transparency and better decision-making.

Risk and Compliance Committee (RCC)

- We have seen a sample of minutes of the RCC that were shared with the ARC, but we have not had sight of the packs for these meetings. Our understanding is that the papers for the RCC broadly duplicate those of the ARC, with the exception of cases when the RCC has decided that certain papers are to be-worked before they get submitted to the ARC, or when ARC has requested a special report.
- From a good governance perspective, we would typically expect that the papers for ARC are appropriately tailored and while we would usually see a lot of granular MI and risk reporting in the RCC, this information should be elevated for the needs of the ARC. We acknowledge that papers take significant executive time and therefore producing regularly two sets of those requires a high effort, but it is important that the data as a minimum is bespoke to each committee. This would normally also drive a different type of conversation.
- Based on the minutes, we can see that, in line with our expectations, the conversation is focused on risks at operational level although we were not able to establish whether a more detailed debated around specific KRIs, related root causes and risk appetite occurs at this meeting.
- Similar to our observations on the ARC, there appear to be a high number of members and attendees at the RCC, approximately 15, with additional attendees invite for certain items. In our experience, this large number of attendees does not necessarily facilitate a focused conversation and efficient decision-making process.

Action

- We would expect that the Head of Risk / CRO and Head of Compliance co- chair the committee given these functions are at the heart of managing risks and carry the responsibility for risk management.

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Risk Culture

- Everyone we spoke to shares a view that more needs to be done in POL with regards to risk culture. This tallies with the results from the survey, where the firm has scored lower than the industry benchmark on matters related to risk.
- Both survey responses and interviews crystallised two main issues with risk culture – on one hand the organisation is very risk-averse, which is seen across all layers of risk governance, and on the other hand, the level of importance attributed to risk management is insufficient, which also appears to be common for all grades, including the top executive layer.
- This is also reflected in the relatively conservative risk appetite and tolerances that have been set up for all risks; this ultimately has resulted in risks being reported outside of appetite on a continuous basis. A lot of those risks have also remained as reported "red" due to the lack of funding to address the underlying issues, resulting in an unsatisfactory overall risk reporting picture and raising concerns about the effectiveness of the POL's risk management practices.
- In our view, all of the evidence we have seen is a strong indicator of an immature risk culture. Positively, the firm recognises that, and key stakeholders have expressed a willingness to work on that, part of which should be addressed by the wider culture programme under "Project Ethos".

Actions

- Undertake substantial risk management training across all levels of the organisation; most importantly, GE should set the tone from the top and give much more prominence to risk management while executing their daily responsibilities. We understand that they all receive individual risk reporting concerning their areas and this should be used as key driver for decision-making.
- The role of the central Risk Function should be elevated to gage much more prominence across the business, and this move should be led by the CEO to highlight the importance of risk when making improved strategic decisions as well as in identifying and seizing opportunities and optimising the use of capital.
- More fundamentally, we would expect that once the POL's overall strategy is agreed, as per our observations earlier in this report, the risk strategy should also be aligned and reflected in more appropriate risk appetite statements and risk tolerances in line with strategic objectives. More holistic risk assessment should also be undertaken to ensure that all risks pertinent to POL are captured in the risk universe. The risk strategy should also play a central role in performance management, the appraisal process and outlining the required behaviours.

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Internal Audit and Controls Framework

Internal Audit arrangements

- POL appears to have established appropriate Internal Audit framework and supporting documentation. The Internal Audit Charter has been set out to describe the main purpose of Internal Audit, how the function approaches its work and the rights and arrangements in place to provide quality assurance to the Board and the ARC.
- The Charter also defines the role of the Internal Audit function, the standards and policies that apply, reporting lines, access and principles for setting up the Audit Plan. In accordance with good practice, the Director of Internal Audit and Risk has a direct reporting line to the Chair of the ARC, and we understand that they benefit from a very good working relationship.
- We understand that the Audit Plan is developed on a risk-basis in line with a conventional industry approach. The Director of Internal Audit and Risk submits a rolling risk-based plan for approval by the ARC, reviews progress against the plan with the ARC quarterly and where necessary amends the plan to reflect changing risk priorities. We have seen evidence that this is indeed how the plan works in practice, as several updates have been shared with the ARC in 2023, and from our conversation with stakeholders, we are aware that the Plan for 2024 was just submitted for approval to ARC, although we have not seen a copy of it.
- We have also observed that the Interna Audit updates to the ARC are amongst the better papers, in that they are concise, highlight clearly the key themes and findings for each audit, and utilise visuals and tables to show progress and illustrate other trends.

Controls Framework

- We have seen a copy of draft Internal Controls framework that POL has developed. As expected, the purpose of the framework is to articulate the minimum standards and associated guidance for POL to ensure an appropriate control environment exists and is maintained, and covers key elements such as control environment, three lines of defence model and controls universe.
- The framework appears to be set at the right level, however, without us doing a deep dive review of the specific controls in place, it is difficult to comment on the framework's effectiveness. Anecdotally, we understand from interviews, that there is a significant amount of work still to be undertaken to ensure that all activities have the right controls in place. Positively, a new Head of Assurance was recently recruited who has been tasked with ensuring that the appropriate control environment is embedded across all business areas. This appears to be work in progress.
- We have seen evidence that the ARC receives a regular update by the Head of Assurance on reviews undertaken on historical matters and other reviews.
- Given that the Board is responsible for ensuring that an effective system of internal control is maintained across the organisation, we suggest that the ARC should satisfy itself that the Internal Controls framework that is in place is effective, and it is adhered to in practice. Based on our documentation review, the conclusions of the assurance reviews demonstrate that the practical adherence to otherwise well-designed documentation is an area of concern, and the ARC appears to be aware of that.

Action

- ARC to take more pro-active steps, at an accelerated pace, to better embed the framework, including relevant training so that they can attest positively to the effectiveness of the internal controls, particularly in light of the new corporate governance code coming in force in 2025.

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Franchises and subsidiaries

- We have seen little evidence, based on the documentation we have seen, of alignment between POL and its subsidiaries and franchises, as far as risk and internal audit arrangements are concerned.
- In our understanding, risk is managed separately at a franchise level, but we consider that some appropriate aggregate reporting should be brought to the attention of RCC and ARC, as required. We can see that there is some reporting from the subsidiaries into the RCC.
- We are also unsure as to how the subsidiaries and franchises are captured by the Internal Audit plan, although we understand that the Group Internal Audit arrangements apply to all fully owned subsidiaries.

Action

- A more formal approach to aligning the risk and controls environment and internal audit to be considered across the subsidiaries and franchises to ensure that risk is managed consistently and effectively across the organisation.

  This might involve the establishment of a formal governance structure that oversees risk management and internal audit arrangements across all subsidiaries and franchises, in the cases these are currently lacking, with clear reporting lines and escalation procedures to the RCC and ARC.
- Invest time in training and development programs to ensure that all employees in the subsidiaries and franchises are aware of the policies and procedures related to risk management and internal audit, and are equipped with the necessary skills and knowledge to manage risks effectively.

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09 Remuneration

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10 Appendices

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Appendix 1
BoardClic Board and Leadership Surveys – actionable insights

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Board survey

Actionable insights

Talent and Culture The company's leadership and talent management evaluation and planning are in good order. LOW SCORE	50	74	27% · 32% · 18%
Talent and Culture We have a satisfactory succession plan for key roles in the management team. LOW SCORE	49	64	14% · 14% · 18% · 23% · 14%
Information, Reporting and Risk Management Investments are given appropriate and robust review. LOW ALIGNMENT	56	79	14% · 36% · 14% · 14%
Purpose and Strategy The board is quick to respond to changing business conditions. LOW ALIGNMENT	58	82	36% · 36% · 14%
Talent and Culture The board has a specific framework or approach in place to monitor culture in the organisation. LOW SCORE	39	66	14% · 36% · 14% · 18%
Purpose and Strategy The company is well prepared for business or technology disruptions. LOW SCORE	41	73	14% · 27% · 41%
Information, Reporting and Risk Management The board periodically reviews and challenges mission-critical dependencies. LOW ALIGNMENT BETWEEN ROLES · HIGH UNCERTAINTY	66	78	23% · 18% · 18% · 18% · 18%
Talent and Culture The board's contribution to matters concerning management appointments and development of a diverse pipeline has led to the desired outcomes. LOW ALIGNMENT · HIGH UNCERTAINTY	47	73	27% · 23% · 18% · 14%

Don't know 1 2 3 4 5 6 7

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Appendix 1 – Board and Leadership Surveys actionable insights

Leadership survey

Actionable insights

Statement	Score		Don't know	1	2	3	4	5	6	7
Trust and Transparency The members of the Group Executive trust each other. LOW SCORE	41	81		19%	24%	22%	11%	11%		
Trust and Transparency I consider communications from the Group Executive to be transparent. LOW ALIGNMENT	52	78			19%	14%	24%	16%	14%	
Decision-making and Working Processes Group Executive members generally appear to find it easy to make decisions. LOW SCORE	46	59		14%	24%	16%	19%	16%		
Decision-making and Working Processes Diversity within the Group Executive positively affects our decision-making process. LOW ALIGNMENT	59	81			22%	16%	14%		11%	24%
Performance Competencies – Navigating through Business Landscape The Group Executive is strong at developing strategies to address future business scenarios and work to implement those. LOW ALIGNMENT	57	80		11%		16%	19%	32%	14%	
Decision-making and Working Processes The CEO holds people accountable for agreed upon results. LOW ALIGNMENT	60	81	11%		14%	16%	14%	19%	22%	
Decision-making and Working Processes I believe that the Group Executive takes appropriate business risks. LOW ALIGNMENT	54	79			16%	30%	16%	16%	16%	
Strategy Implementation I believe we are sufficiently focused on meeting the challenges of the rapid digital transformation of business and society. LOW ALIGNMENT	41	76		24%		35%	16%			

Don't know 1 2 3 4 5 6 7

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Appendix 2
BoardClic Board and Leadership Surveys

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Leadership and purpose – strategy

Board survey

QUESTION	PRIO	SCORE	BENCHMARK
The board has ensured, to the extent permissible within the policy framework set by the shareholder, that the company has the right strategy to fulfil its purpose.	5.9	65	-
The board is not afraid to scrutinise what is making the company money and address issues as needed.	3.6	66	85
The company is well prepared for business or technology disruptions.	3.6	41	73
The board has a consensus on which stakeholder groups are the most critical to the company's long-term success.	2.7	70	83
The board is quick to respond to changing business conditions.	2.3	58	82
The board regularly assesses the strategy implementation process.	1.4	59	79
Our agreed strategy includes vital ESG topics.	0.5	47	80

Executive SLG Board

Summary of comments

- As a relatively new Board, some members are still getting acquainted with how the Post Office functions, however despite being capable, experienced, and skilled, the Board lacks clear direction from the government regarding their vision for the Post Office.
- There is a growing perception that the board is not sufficiently independent from is government Shareholder and this is being used as a shield.
- Majority are of the view that the conflict between running a profitable post office and providing service to the communities has resulted in a muddled strategy. The management team is not addressing the core problem due to a perceived lack of government support.
- This is exacerbated by uncertainties around the upcoming general election, and the impending renewal of the Shareholder Framework Agreement, which is affecting activities across the business.
- The Board has a consensus on which stakeholder groups are the most critical to the company's long-term success
- Vital topics such as ESG are not properly discussed or prioritised.
- On strategy no KPIs at top level therefore this creates strategic gaps with the Board

Summary of comments

- Need to divorce the inquiry from the day to day it still does overshadow.
- There are conflicts between achieving a social purpose and a commercial purpose. The Shareholder policy framework drives certain decisions which may not be sustainable
- 1 step forwards 3 steps back
- Not sure that the public v commercial focus issue can be resolved. If the focus is commercial then you cannot have 11,500 branches

Key priorities to focus on:

- Building consensus among all stakeholders on POL's medium to long term strategy and developing a roadmap for execution which covers funding and clearly balances the social and commercial purpose of POL.
- Ensuring that the annual strategy day is focused, robust and feeds into the key areas of the business in the coming year.
- Building greater alignment and dialogue between the Post office, DBT, UKGI and other stakeholders to gain a better understanding of relevant priorities.
- Focusing on relevant areas within POL by appointing board champions for specific areas such as diversity and inclusion.
- Deploying more automation and digitalisation which will lead to greater efficiency and cost-savings
- Prioritise purpose and strategy more in structuring conversations at committees

Highest total

The Board has a consensus on which stakeholder groups are the most critical to the company's long term success

(Benchmark 83%)

Lowest total

The company is well prepared for business or technology disruptions

(Benchmark 73%)

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Leadership and purpose – agenda and minutes

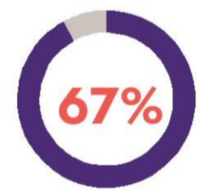
Board survey

QUESTION	PRIO	SCORE	BENCHMARK
We give priority to the most important strategic topics during our board meetings.	3.6	64	78
The board has a well-thought-out annual plan which covers relevant topics.	2.7	63	84
We sufficiently explore all given opinions and suggestions prior to making a decision.	2.7	67	83
The board materials are of high-quality and conveniently summarised.	2.2	57	78

Highest total

We sufficiently explore all given opinions and suggestions prior to making a decision

(Benchmark -83%)



Lowest total

Board materials are of high quality and conveniently summarised

(Benchmark -78%)

Summary of comments

- *Respondents shared the view that Board papers are lengthy and not well summarised.*
- *There are mixed views on the time-efficiency of the Board's work.*
- *Respondents remarked on the need for more visibility of Board members across the work and activities of the Board committees to facilitate transparency and open knowledge.*
- *Board papers are considered too late and overall lacking in quality. They are voluminous. It gives the impression of laziness although some are good such as Retail*
- *Mixed views on the Chair. Some felt the commercial challenges were moving in the right direction although slowed with having to navigate the Shareholder dynamic. That said it seemed discussions never seemed to culminate in a clear vote.*
- *Information get togethers have fallen away and are vital for cohesion at Board*

Summary of comments (continued)

Key priorities to focus on:

- *Shorter more focused board papers with a one-page summary of key data.*
- *Identify and synthesise what matters from the data to provide more valuable insights*
- *Cross-reference information and reporting with risk reporting in order to better inform and shape decision-making*
- *Reduce duplication of papers and across decision-making forums*
- *Ensure that when actions are assigned from the GE/SEG/SLG, those who the actions are assigned to are informed of this as soon as possible after being assigned*
- *Simplify, centralise and streamline papers, reporting and dashboards and key metrics – 'less is more.'*

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Leadership and purpose

Selected SLG feedback

Survey chapters: Business Purpose and Organisational Vision, Strategy Implementation, Performance Competencies – Executing for Results, and Information, Reporting and Risk Management

Survey comments

- Most respondents are agreed that business purpose, organisational vision strategy and strategy implementation require work and focus:
  - A general sense that there is a lack of clarity on strategic direction and that individuals across the organisation all 'pull in different directions' around strategy and vision which impedes a mutual view and delivery – *"we often flag we want to do something as a priority and then a new priority comes up the following week"*
  - Creating and agreeing a coherent strategy and objectives with the SLG, GE, the Board and the Shareholder all aligned in the short, mid and long-term vision and objectives
  - There are conflicting priorities not directly related to the strategy which are all perceived as high priority at the same time, and therefore drawing focus away from the organisation's strategy, purpose and vision delivery
  - Strategic objectives and their delivery could be measured more effectively and in a structured manner from the start of the FY by establishing clear Key Performance Indicators (KPIs) which coalesce around the agreed strategy, are filtered throughout the business and which are referred to periodically
  - Articulating a clear operational plan for how strategy will be implemented and providing the right information consistently to measure and check delivery
  - POL needs to be clear on its strategy as a franchisee including leaner central operations but don't have permission or funding to move this forward meaningfully
- Internally, the main perceived barriers to moving forward in this area are largely focused on three areas: the first being funding, it is viewed as a constant challenge that continues to limited and hold back the innovation POL need to continue to evolve and stay relevant to customers, the second being the lack of accountability and ability to hold individuals to account when it comes to agreeing and implementing strategy with 'tone from the top' noted, as well as internal processes, ie taking issues unnecessarily to GE/Committees, which stem the flow of work, accountabilities and execution. The third area is the continuing practice of individuals and teams working in silos including the GE, failing to communicate openly, and pushing their own agendas
- Externally, the strategy is seen as being intrinsically tied to and restrained by the Shareholder's view of the organisation now and in the future – *"Shareholder support and clarity of what they would like the Post Office to look and feel like in the short and long term and how to fund it"....."force the Shareholder to be clear on what it wants, and navigate us to a place whereby we have funding to achieve that objective/have a strategy to deliver it"*
- Collaboration and mutual alignment between the Board, GE and the Shareholders to this following the Inquiry, will be needed to move forward. Stemming from this is the funding provided based on this, which also results in delivery difficulties due to tension, ie reduce cost base vs implement new technology
- Several views expressed that a review and fresh view by the Shareholder of what it really wants the organisation to be and deliver in the current and future landscapes would help. As would the organisation being clear about what is achievable to the Shareholder and the impact of financing constraints
- Respondents identified, in their view, the single biggest challenge the organisation will face in the next two years in implementing strategy:
  - Funding in relation to, delivering transformation and investment, reducing costs, maintaining the current business model at its current scale, executing efficiently, recruiting talent to increase capacity. This is caveated with the recognition that where funding is given, the organisation needs to improve where it focuses this funding to be impactful
  - Pace of execution, agenda, culture and accountability with a focus on the current agenda being so packed and accountabilities not always operating effectively, that attention is drawn away from executing on strategy at pace
  - Policy direction and Shareholder clarity and organisational alignment as to what they would like the organisation to look and feel like in the short, medium and long-term, especially with high levels of uncertainty, changing customer needs and a lack of target operating model currently
  - Historical issues such as the Inquiry and Horizon, detracting resource, capacity and focus from formulating, agreeing and coalescing around strategy and strategic execution

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Leadership and purpose

Selected SLG feedback

- Individuals have raised a variety of views as to how they can improve the GE's work with leadership, strategy implementation and realisation:
  - Improving DoA where they do not exist and utilising those that do exist more effectively to ensure the GE has capacity to focus on crucial areas
  - Ensure that decision-making and communication occurs transparently and through cross-functional groups rather than in silos, and which also have DoAs that empower them to make decisions. This is with the recognition that due process around documenting these decisions for the GE and Board would need to be in place
  - There is a need for a clarification of accountabilities and holding individuals to account where they are meant to execute and deliver, and especially when they do not deliver as expected, including a stronger performance management approach
  - Collating the right information when monitoring progress towards delivery of the strategic objectives to support the GE in assessing how well the organisation is performing against the strategy
  - Separating the business as usual activities from the challenges of the Inquiry, and within this creating capacity and alleviating pressure on individuals in the team to deliver their roles
  - To continue to push for clarity on strategy, clear implementation and monitoring plans, in order to align funding and objectives with this and agree a plan of deliverables/activities that flow from this and can be followed through with individual accountability
  - Narrowing focus and related investment to realistic, achievable outcomes – balancing quality and cost delivery
  - Supporting the GE in developing medium and long-term strategy, and in aligning this into a more manageable programme built around the organisation's key outcomes and priorities and that can flow down through the operational teams effectively too. In this case, the SEG could involve the SLG more
  - Creating a proactive culture within the organisation to drive progress and support continued execution despite challenges such as disruption by the Shareholder, lack of capacity, accountability and funding
  - Communicate better and more transparently including actively highlighting risks which may materialize and impede the GE from delivering strategic objectives, and where prioritisation could be improved
  - Reducing the complexity of the decision-making infrastructure, ie less Steering Committee's and informal Forums, which slow down decision-making while ensuring transparency and cross-organisation communication
  - Addressing both the capability and cultural behaviours of the leadership team to rebuild trust, accountability, focus, collaboration as a group and drive, to deliver results
- MI does not include a single agreed set of metrics/KPIs and accessible at a central level, linked to strategy by which all papers, options and risks should be assessed by and which acts as a central source of data for GE/SLG
- Papers are seen as inconsistent and although sometimes good, respondents would like meeting papers which are more concise and focused, with data well synthesised and relevant (by reference to the above/strategy/risks) and which provide the bigger picture alongside some (but less than current) detail

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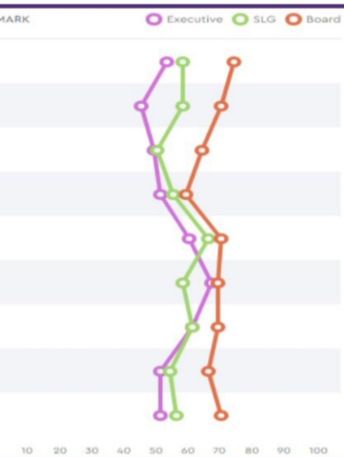
Division of responsibilities

Board Survey

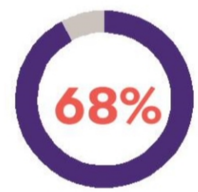
QUESTION	PRIO	SCORE	BENCHMARK
The organisational governance framework effectively supports board governance.	4.1	65	-
Decisions taken are clearly articulated and actions allocated with appropriate timescales attached.	3.6	62	-
Feedback loops between the board and organisation are effective.	3.2	56	-
The process and control environment is effectively embedded across the organisation.	2.7	57	-
There are clear escalation and reporting lines between the board, board committees and senior management.	2.3	68	-
There is clear delegation to senior management and their views and expertise are taken into consideration in decision making.	2.3	65	-
The induction process for new board members is fit for purpose.	0.9	67	-
The risk appetite and framework is widely understood and is taken into consideration in decision making.	0.5	60	-
The board receives appropriate and timely training on key matters.	0.5	64	-



Highest total

There are clear escalation and reporting lines between the board, board committees and senior management

(Benchmark -%)



Lowest total

Feedback loops between the board and organisation are effective

(Benchmark -%)

Summary of comments

- *Low delegated authorities and spend approvals mean that too many issues come up to board for decisions, thereby causing delays and a bureaucratic environment.*
- *Respondents remarked on the need for more visibility of Board members across the work and activities of the Board committees to facilitate transparency and open knowledge.*
- *Some respondents acknowledged that the Board has positively evolved from being more executive in nature historically to a much more oversight focused mode of functioning.*

Summary of comments (continued)

- *Key priorities to focus on:*
- *Review the delegated authorities and spend approvals to streamline the matters coming up to the Board for decisions and create space for more strategic discussions*
- *Focusing on relevant areas within POL by appointing board champions for specific areas such as whistle blowing, and diversity and inclusion.*
- *Provide access to all Board members of Board committee papers to create improved synergy, collaboration and alignment across key decision-making priorities.*

POL00448770

Division of responsibilities

Selected SLG feedback

Survey chapters: Decision-making and Working Processes, Roles and Responsibilities, Trust and Transparency, Information, Reporting and Risk Management and Subcommittees

Survey comments

- In terms of division of responsibilities regarding decision-making and effective working processes, key themes emerge around the delegation of authorities and thresholds, amount and quality of papers and dynamics/discussion at meetings, accountabilities as well as pre and during meeting culture, specifically:
  - Delegation of authorities thresholds up to the SLEG/GE need to be increased to enable more decision making at GE-1 and GE-2 to and for the SLEG/GE to focus on critical and strategic matters
  - Build, reinforce and normalise a culture of devolved authority and trust in skilled senior professionals amongst the SLEG/GE, the Board and the Shareholder
  - At the same time, ensuring accountabilities are clear, widely understood and able to be brought to bear when necessary for delivery and execution, while recognizing and acknowledging that the SLEG/GE are also accountable for their SME's decision-making at GE-1 and GE-2. Additionally, this outcome should be respected irrespective
  - Where decision-making accountability and the responsibility does sit with the SLEG/GE, ensure that there is clarity as to who owns the decision-making despite the collective challenge, discussion, alignment/lack thereof and support which may shape the decision and outcome.
  - At a GE level, there is perceived room for slimming down the agenda, the amount of decisions they need to make and therefore the DoA as well, to reduce what needs to go to the GE and Board for approval
  - Papers, information and data and improvements across all three to be clearer, more strategically aligned and focused in their 'ask' and expected input/decision-making outcome, is seen as crucial to improving both meeting discussions and driving outcomes, including ensuring that a decision is made before everyone leaves the room
  - A lack of trust and collaboration across the business day-to-day, and when putting papers with risks, options, benefits together along with this carried through into meetings at the GE, was noted, with no one speaking up or supporting each other, and acting in silos, ie not reaching out to HR, LCG, Finance, Risk slowing down decisions
  - Other good practices that respondents consider would support and drive better meeting dynamics, decision-making and discussions range from more pre-engagements with stakeholders to aid understanding, closing out decision-making loops/discussions clearly, bringing the right data to the table, to challenging and questioning each other and presenters/SME more in meetings and where necessary, bringing the meeting back to the topic at hand (either by the presenter or the Chair)
- For some, the low risk appetite of both the Board and the GE/SLEG, the issues around funding from the Shareholder and the historical issues (Horizon, the Inquiry), all underly the current DoA and division of responsibilities and the lack of trust to devolve decision-making
- Comments around roles and responsibilities circles back to two key core areas: accountabilities/ownership and cultural ways of working:
  - Particularly in terms of ensuring clear delegated authority and ownership, and balancing between skills and expertise to enable 'collective capability' combined with an organisation-wide education piece about this once clarified. This also includes ensuring that the right matters are going to GE and everything else is delegated.
  - Regarding cultural ways of working: removing silos, building trust, proactively collaborating and opening two-way communication lines between GE and below. Focusing on adaptability and executing at pace also considered key, but comments reflect that individuals below GE are keen to engage the GE, share knowledge, insight and generally engage more.

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Division of responsibilities

Selected SLG feedback

- Trust, transparency and governance that supports this, are widely regarded as low and impacting decision-making, perceived as arising from:
  - The overall approach to communication internally and externally, such as where decisions are made, failing to communicate and cascade these down transparently and clearly, and external communications being delivered with sense of vagueness/evasiveness ('politician answers')
  - SEG/GE members demonstrating behaviours which suggest a lack of trust in each other or erode trust, ie openly criticising each other, not keeping confidence, not showing courage in calling out negative behaviours, acting in isolation and undermining each other
  - A culture/approach/environment where being transparent about mistakes, lessons learned, rationales, outcomes and successes is not encouraged or supported.
  - *"POL is generally poor at making decisions. It is currently the worst it has been in the time that I've been here. There is lots of duplication with papers and across decision making groups who take decisions on the same matters causing an eternal loop of decision making which means that no decisions are taken..."*
  - Compounding this is a lack of consistency as well across the GE and their reporting lines
  - Means of communication including that decisions of the GE are not often recorded formally and shared widely
  - A sense that decisions are driven by personal agendas in the absence of strategy or what is occurring in government and this not being communicated, and therefore not necessarily taken independently and in the best interests of the organisation and to an extent, its other stakeholders
- Commentary reflects a mixed, but largely aligned view that the decision-making environment could be made more optimal through:
  - Improving the DoA, accountabilities and the understanding of these so they are consistently applied; some support a RACI combined with clear communication and consequences/performance management
  - Focusing on better prioritisation of forums, work and projects by the SEG based on strategic importance and risk, instead of relying on various individuals to assign importance and trying to meet all competing demands. Therefore, the top priority programmes are delegated up to the SEG/GE and receive funding to be progressed, and the rest to a lesser extent – this could reduce the stop/start/continue of less strategically important programmes and aid execution
  - Where there are decision-making groups, these should be formalised and owned by a GE sponsor/sponsors, and decisions arising out of these should be respected and taken as sufficiently challenged within this forum; where there is a lack of consensus, the GE should align amongst themselves, underlined by recorded and transparent decision-making
  - Improving agility and pace of decision-making through higher-quality MI: data, metrics, pre-meeting preparation and completeness – matters should be complete when they reach decision-making forums, supported by the right data/analytics with all relevant papers/information put forward so decisions can be made efficiently
  - While decision-making forums are being simplified (in-flight), they still require further simplification, to improve DoAs (Incl. Budget), speed up decision-making, reduce siloed working and free up capability that is currently taken up by producing multiple papers, and sometimes even duplicating these for forums that appear to serve same/similar purposes
  - A more supportive, less risk-averse risk appetite and tolerance combined with more risk ownership. The Board to consider creating greater scope for judgement within the risk appetite
- A small proportion view some GE Subcommittees as effective with consistently applied, clear, and understood authority and appropriate DoAs. However, for most, GE Sub Co's decision-making authorities and DoAs seen as needing improvement, clarifying/refining and extending. This would address overlap, lack of communication/sharing, lack of consistency in operating and repeatedly circular processes/duplication, such as:
  - A matter being debated/heard twice and bouncing between GE and Sub Co's repeatedly, ie going. from GE Sub Co to GE first, then back to Sub Co and then referred again back to GE, decreasing efficiency
  - GE members utilising GE Sub Co's as 'holding patterns' for putting off decision-making
- In terms of the Board and GE's oversight of relevant operational information and matters being appropriate, comments indicate that this is variable, as well as views varying as to the extent these are appropriate;
  - Inconsistent escalation and reporting lines and sometimes, too much when flowing up impacts the ability to prioritise and focus on the 'so what' by the GE and Board
  - NEDs exercising detailed oversight in some areas, not enough in others with the role of the Shareholder NED/Shareholder Representative not helping this
  - GE sponsorship/attendance tends to improve this flow

POL00448770

Composition, succession and evaluation – board composition and dynamics

Board survey

QUESTION	PRIO	SCORE	BENCHMARK
The board has the knowledge and experience required to support the company strategy and monitor crucial operations.	5.9	71	84
My knowledge and experience are well utilised.	2.3	70	85
There is mutual trust and respect between members of the board.	1.8	77	91

Summary of comments

- *Concerns around the lack of proper succession planning. Many point to the fact that the renewal term for the postmaster NEDs, who are some of the longest serving members of the Board, are up for renewal at the same time (summer 2024) with limited visibility expressed outside the Nom Co on how this is formally going to be dealt with beyond being staggered*
- *Most respondents do not agree that the board regularly reviews its diversity with regards to background, ethnicity, gender and other minorities.*
- *There is acknowledgement that the Board is ultimately approved by the Shareholder which influences its composition*
- *Respondents remarked on the Board being largely composed of individuals from financial services backgrounds and less from areas of current POL market segments such as retail. Comments on current skills gaps include banking and digital, public sector/Whitehall experience, managing a government Shareholder and an individual who has combined commercial and government experience.*
- *There is also the need to balance the current Board with a 'younger voice' by appointing younger individuals as non-executive directors*

Summary of comments (continued)

- *Respondents held the view that being a relatively new Board, more emphasis should be laid on social time spent together to build relationships*
- *The voice of the postmaster NEDs is valued.*

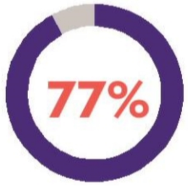
Key priorities to focus on:

- *Skills matrices across the entire board mapped against the skills required for effective strategy implementation of POL's vison and key risks and identify gaps and overlaps.*
- *To review the current Board structure with a short, medium to long term lens to determine Board evolution in current and post-public enquiry realities.*
- *Prioritise learning and development by developing a robust plan that is based on skills assessment.*
- *Focus on re-introducing Board dinners and opportunities for social interaction to foster good working relationships and positive board dynamics*

Highest total

There is mutual trust and respect between members of the board

(Benchmark 91%)



Lowest total

My knowledge and experience are well utilised

(Benchmark 85%)

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Composition, succession and eval – talent and culture

Board survey

QUESTION	PRIO	SCORE	BENCHMARK
The company's leadership and talent management evaluation and planning are in good order.	6.4	50	74
We have a satisfactory succession plan for key roles in the management team.	4.5	49	64
The board has a specific framework or approach in place to monitor culture in the organisation.	3.2	39	66
There is very good alignment between the board and the management team regarding core strategic priorities.	2.3	65	85
Engagement mechanisms between staff, and between staff and the board, are effective.	1.8	55	74
The board's contribution to matters concerning management appointments and development of a diverse pipeline has led to the desired outcomes.	1.8	47	73

Highest total

We have a satisfactory succession plan for key roles in the management team

(Benchmark 85%)

Lowest total

The Board has a specific framework or approach in place to monitor culture in the organisation

(Benchmark 66%)

Summary of comments

- *Most respondents do not agree that the board regularly reviews its diversity with regards to background, ethnicity, gender and other minorities.*
- *There is acknowledgement that the Board is ultimately approved by the Shareholder which influences its composition*
- *Respondents remarked on the Board being largely composed of individuals from financial services backgrounds and less from areas of current POL market segments such as retail. Comments on current skills gaps include banking and digital, public sector/Whitehall experience, managing a government Shareholder and an individual who has combined commercial and government experience.*
- *There is also the need to balance the current Board with a 'younger voice' by appointing younger individuals as non-executive directors*
- *There seems to be very little in the way of performance management in the business and very little done to tackle poor performance.*

Summary of comments (continued)

- *Respondents held the view that being a relatively new Board, more emphasis should be laid on informal time spent together to build relationships*
- *The input of the postmaster NEDs is valued.*

Key priorities to focus on:

- *Determine the main demographic groups that make up POL's target market and ensure Board skills support full understanding of POL's market and stakeholders*
- *Skills matrices across the entire board mapped against the skills required for effective strategy implementation of POL's vison and identify gaps and overlaps.*
- *To review the current Board structure with a short, medium to long term lens to determine Board evolution in current and post-public enquiry realities.*
- *Prioritise learning and development by developing a robust plan that is based on skills assessment.*
- *Focus on re-introducing Board dinners and opportunities for social interaction to foster good working relationships and positive board dynamics*

POL00448770

Composition, succession and evaluation

Selected SLG feedback

Survey chapters: Roles and Responsibilities, Value Creation, Performance Competencies – Executing for Results, Performance Competencies – Navigating through Business Landscape and Subcommittees

Survey comments

- Few respondents wholly agree, with majority either partly agreeing or disagreeing that the composition and accumulated competence and experience of the GE is sufficient to master the organisation's current challenges and opportunities. While this is caveated with the acknowledgement that what the organisation is facing is unprecedented and the GE's intentions are in the right place, there are various reasons behind this:
  - Experienced individuals who seem to struggle to operate successfully as a collective and 'one team' including being misaligned on objectives/priorities
  - Substantial amount of change and less stability among GE leadership leading to a lack of 'corporate memory',
  - While new additions have been additive in bringing new, valuable experience, there has not been enough time to re-build collective competence and ways of working as a group and for them to be embraced by the established GE
  - Lack of diversity/balanced composition incorporate EDI/diversity targets and therefore diversity of thought
  - Capability overall is lacking when it comes to breadth and depth of it, and increased expertise and experience in certain areas is needed, such as transformation management, effective leadership. Recruitment limitations (ie remuneration) recognised as impacting this
  - *"Recruitment is still not routinely conducted on an open and transparent basis....There is no structure approach to internal promotions, no framework as to skills, competencies etc for each level, no set requirement for the composition of interview panels, no requirement for EDI training etc"*
  - Capacity is a perceived issue and therefore work on incorporating GE-1 and SME's more to become an effective functioning team and engaging their opinions/expertise where necessary
  - There is room for slimming down the size of the GE (in-flight) to a few core roles to support effective collective working and solidify collective capability and competence
  - The uncertainty generated by leadership changes, several temporary roles and the ongoing absence of the CFO
  - Minimal accountability and ownership, combined with poor management of consequences/outcomes and performance management approach
- It is evident from comments that there is intention, drive and a desire to move the organisation forward, align business unit goals with strategy (once defined) and generate value.
- In terms of driving value creation with the current GE, SLG/GE-1 composition:
  - Work as 'one' collegiate team within the GE and beyond pulling in the same direction towards common aims. These common aims should be strategically aligned and prioritised on this basis
  - GE conversations to turn to value creation (as opposed to value for money) as a priority with a wider stakeholder, (ie customer-centric, postmasters), innovative mindset and approach
  - In terms of behaviours, becoming curious and relying on data and SMEs to help inform decision-making rather than just relying on own knowledge and assumptions of
  - Culturally, trusting generally and trusting SMEs including placing them on decision-making forums (where necessary) and considering their ideas, to reduce silos, create cross-organisation working and build confidence in teams and their ability to deliver
  - Continue opening up communication lines, increasing visibility of the whole GE and evolving to collaborative ways of working across business units. Crucial for the SLG/GE-1 to utilise within their own teams and for them to understand where they can support and add value to the GE in terms of value creation
  - More regular meetings of the entire SLP suggested with the intention of aligning on strategic priorities and matters of importance and to understand where cross-functional support would be valued
- There is a widely held view that the GE should develop a more well-rounded stakeholder-centric approach and skillset:
  - Listening, beyond the shareholder, by engaging directly on the front-line (ie in branch etc) with customers, post masters, and the wider market and competitors through this
  - Learnings from this could be applied to strategy and where successful/unsuccessful, highlighted as successes or lessons learned

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Composition, succession and evaluation

Selected SLG feedback

- Individuals have raised generally aligned views, with only minor divergences as to the membership composition and collective competencies of the Subcommittees.
- Overall, it is felt that composition of these Subcommittees is broadly on par, with a few suggestions are to improving composition and collective competencies:
  - Cross-business/function membership and occasionally less senior members of the organisation where they can offer greater depth of insight
  - Some Subcommittees, for example, Retail, may benefit from a review of members, as currently all various GE members rather than any LCG representation and others to be reviewed/considered for slimming down or re-instatement
  - Bringing in additional SMEs where greater knowledge/understanding/insight and challenge is needed prior to making decisions
  - Ensuring all members understand the importance of good governance and the difference between enterprise/corporate governance and operational governance and the impact of this on the Sub Co's operation
- All comments to some extent were comforted by the composition and competencies of the Sub Co's but did qualify that where the composition and competencies of these become infective is when the governance slows down/impedes decision-making, i.e ToRs requiring tightening, attendees review and DoAs not sufficient/effective enough

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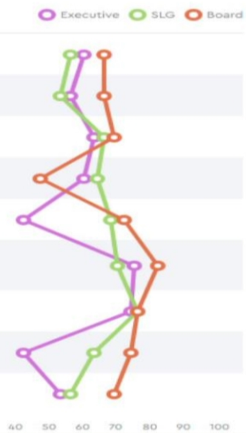
Appendix 2 – Board and Leadership Surveys

Audit, risk and internal control

Board survey

QUESTION	PRIO	SCORE	BENCHMARK
The company's controls and reporting are in full alignment with the company's operating model.	5.0	62	82
The board handles business risks (including emerging risks) well.	4.1	60	79
The board has a proper process in place to obtain necessary assurances in reporting beyond what is required.	3.2	67	82
Investments are given appropriate and robust review.	2.7	56	79
The board periodically reviews and challenges mission-critical dependencies.	2.7	66	78
The board has sufficient information about the company's most important compliance issues (anti-corruption, sanctions, anti-trust, workplace and product safety, etc.).	0.9	78	83
I am satisfied with the company's whistleblowing setup.	0.9	76	85
The board has ensured that the company has appropriate business continuity plans and good crisis management preparedness.	0.5	66	77
The board ensures that sufficient time is allocated to risk control related to cyber risks and similar.	0.0	63	78



Summary of comments

- *Respondents opined that the current process of top-down risk should be changed to allow individual business units to own their own risk and present these to the Audit and Risk Committee.*
- *Concerns that POL is operating outside of risk appetite in c.8 areas for the next 24 months which is unsustainable. There is a question as to whether risk appetite is not set properly or POL really are and in that case are the Board and Executive clear and aligned on the consequences*
- *Though the Audit and Risk Committee reporting has evolved and improved with new leadership, there is still a need for more frequent reporting on data and insights about branch profitability, network sustainability, and potential risks.*
- *Respondents highlighted that the Board is risk averse amid the public enquiry and lack of adequate funding to address risks outside of appetite, resulting in the crystallisation of certain risks and the continued non-mitigation of others.*
- *On that point it is view the restrictive risk profile whilst comprehensive is a barrier to delivery rather than a key management tool*
- *There is a lack of visibility of the Audit and Risk Committee for Board members who do not sit on the committee.*

Summary of comments (continued)

- *There should be a mechanism for reporting/escalating risks during gaps in Board meetings*
- *Is there a 1st, 2nd and 3rd line of defence – not in the way most commercial organisations understand it*

Key priorities to focus on:

- *Focused collaboration with the Shareholder to communicate the impact of identified risks on the business towards ensuring that funding is channelled appropriately.*
- *Develop a system for risk reporting outside of scheduled Board meetings.*
- *The employment of a Chief Risk Officer.*

Highest total

The board has sufficient information about the company's most important compliance issues (anti-corruption, sanctions, anti-trust, workplace and product safety, etc)

(Benchmark 83%)

Lowest total

Investments are given appropriate and robust review

(Benchmark 79%)

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Audit, risk and internal control

Selected SLG feedback

Survey chapters: Information, Reporting and Risk Management and Decision-making and Working Processes

Survey comments

- Respondent's comments centre around more supportive, less risk-averse risk appetite and tolerance combined with more risk ownership across the business, particularly regarding:
  - Uncertainty around what the risk tolerance is and what this may mean in different situations, ie how this may be differ in some circumstances vs others instead of applying a blanket approach
  - The Board and GE (through being delegated down to the GE via the Board)'s risk appetite can result in the GE's risk adverse decision-making by deferring sensible commercial decisions, or placing them 'on hold'
  - Greater trust from the Board and the Shareholder across the GE/SLG for taking calculated risks which may stretch current risk appetite and tolerances but move execution forward
  - Culture and capability concerns around risk ownership, where it is evident that business owners do not independently take ownership of the risks despite each individual's remit for managing risks within their roles
  - A re-education/re-set programme of risk across the organisation (in-flight)
  - A restrictive risk management, appetite and tolerance which is perceived as negatively driving, rather than informing decisions
  - Limited capacity of risk owners to monitor risks outside of appetite generally, relying on the central team, and therefore this being done infrequently (only every 6 months vs risk owners viewing data live often and periodically), which leads to decisions that are reliant on less recent, up to date data
  - Too much reliance by the Board and the GE on the second and third lines of defence as despite high levels of operational detail, neither are viewed as being close enough to the first line with these
  - Risk assessment, mitigation and assurance activities, due to a fear of being called out, are cumbersome, and often impact speed of decision marking, execution and innovation. This is with the recognition that this activity is crucially important, but that an overly cautious approach can also result in inefficiencies and ineffective governance.

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Appendix 3
Supervisory Rights

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Two tier illustrative structure

	Main Board	Supervisory Committee
Members	6-8 INEDs, 2 Exec and an Independent Chair	Independent Chair, c.60% Government representation and 40% Postmaster representation
Role	Largely consistent with the DoA and ToR as it is today however in summary;	Act as the guardian of the Purpose, the Values and Principles and the Articles, Framework and Funding Document;
	• determining a strategy for the Group, consistent with the Purpose and the Values and meeting the needs of its stakeholders (and shareholder);	Hold the Board to account and influence strategic and operational initiatives
	• motivating and retaining an Executive qualified to deliver the strategy;	The consultative body and a body for making representations on behalf of the constituencies represented
	• overseeing the business of the Group in accordance with the strategy;	Approve matters reserved by the Shareholder Documents for approval by the Supervisory Board (the funding request); and
	• holding the Executive to account in the performance of its duties, considering the views of the Supervisory Board; and	Make decisions on those matters reserved to the Supervisory Board as set out in the Shareholder documents (such as strategy)
	• overseeing culture (not overt in the current ToR) and separately risk and internal audit framework designed to provide adequate assurance as to the capability and capacity to deliver the strategy and protect the Group's operating environment and reputation.	
DoA	Largely in line with the documentation in place today, subject to further comments made in the report in Section 6	The Supervisory Board may have the ability to take on certain Shareholder authorities as set out in the Framework document, funding agreement and Articles with a view to increasing the pace of decision making – to be agreed

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Two tier illustrative structure (continued)

	Main Board	Supervisory Committee
Responsibilities	In line with current documentation	Approve the Purpose, strategy and any associated funding requirement
		Deciding the agenda for each meeting
		Following up with the Group Board and/or Group Exec on any outstanding matters
		Commission research on topics with the remit and allocated budget
		Deliver an annual statement of the Steering Committee including on the performance of the Group Board

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Supervisory Committee illustrative rights

The Supervisory Committee would potentially have the right to

- require any members of the Board to attend Supervisory Board meetings;
- sufficient information to allow it to hold the Board and Executive to account for the performance of the business, any reporting including but not limited to annual and sustainability reporting and adherence to the values and public money principles. This would include but is not limited to information on key strategic and operational initiatives and any critical elements of the management of the business (subject to any legal or regulatory requirements);
- to be consulted and influence the Board in its management of the Group's brand across all businesses and any strategy and operational initiatives and any aspects of the management business;
- require the Board to explain in the Annual Statement any recommendations of the Supervisory Board which has not followed and setting out the reasons for it failing to do so;
- require the Board and/or Executives to attend Supervisory meetings at agreed times/specified circumstances;
- provide recommendations to the Shareholder in respect of Director elections;
- hold the Board to account for the way in which the annual level of investment is deployed;
- hold the Board to account for its annual planning and performance and in relation to sufficient resources being available for the Group;
- hold the Board to account for the POLs policy framework;
- hold the Board to account on Executive remuneration and performance criteria; and
- to have up to three members on the POL Nom Co providing an opportunity to have oversight of process and agreement with any substantive changes to the Board Composition

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Appendix 4

Division of responsibilities – Subsidiaries

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Subsidiary – Division of responsibilities

Subsidiary Boards

- POL has three subsidiaries namely Post Office Management Services trading as Post Office Insurance (POI), Payzone Bill Payments Limited, and First Rate Exchange Services Holdings Limited (FRESH) and First Rate Exchange Services Limited (FRES) which is a JV with the Bank of Ireland.
- POI is fully-owned by POL which also acts as its Appointed Representative (AR). Historically the Chair of POI's Audit and Risk Committee reports into POL's Audit and Risk Committee. Given the AR relationship between both entities, POI requests for the papers and minutes of POL in order to fulfil their oversight responsibilities. We understand that POI's Chair and the recent POL Chair were scheduled to meet later this month– this should remain on the radar for any incoming chair. There are also periodic meetings between the Head of Internal Audit of POL and the Head of Compliance of POI to review POL's risk profile.
- FRESH/FRES is a joint venture between POL and the Bank of Ireland, there are three POL representatives on the board and the group general counsel acts as the board chair. In terms of reporting, the joint venture agreement was revised and presented to the POL board for approval and financial information for the joint venture is also reported at the POL board.
- Payzone Bill Payments Limited is a stand-alone subsidiary of POL and as such POL's level of oversight has been sporadic and limited. However, this is set to change as subject to Shareholder approval, Payzone will be subsumed into POL.

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Appendix 5
Best practice tool kit

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Board leadership and purpose – tool kit

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Culture monitoring and measurement methods

Example 1, Culture monitoring and measurement methods

Provided here and on the following page, are some practical illustrations and numerical metrics in 'dashboards' as to how the organisation gauges effectiveness of its culture/culture programme. These include employee turnover, health and safety data, diversity and inclusion progress, culture diagnostics, training and development completion, and employee surveys.

It is also crucial to discuss the 'what' of these indicators – i.e. what are they telling the Board about the culture, to provide meaningful insights to stakeholders.

National Grid Plc AR 2022/23

How the Board monitors culture

The Board plays a significant role in monitoring and assessing both the culture of the Group and its alignment with the Company's purpose, values and strategy. It is supported by the People & Governance Committee, which identifies opportunities to strengthen culture, and the capabilities that underpin it, in a way that serves the future strategic goals of the Company.

There has been a focus on leadership capabilities, development and succession. The People & Governance Committee Chair reports back to the full Board following each meeting, which also provides the opportunity for full Board input and ensures all Board members are actively engaged in monitoring corporate culture.

The Board assesses the Company's culture and the progress being made from two key data sources:

- lagging indicators from the Grid:voice survey and the Spencer Stuart culture diagnostic; and
- leading indicators taken from the culture change activity under way across the organisation.

Lagging indicators

The findings of this year's Grid:voice survey showed positive movement across nearly all indicators. Overall engagement remains six points above the high-performing norm in the Korn Ferry benchmark*. We have also maintained top-quartile performance for 'Safe to Say', consolidating a spirit of openness and trust across the organisation. Our colleagues feel they can express their views, opinions and concerns and have confidence that action will be taken where needed. This is a strength of National Grid's culture.

* The Korn Ferry benchmark comprises the average survey scores from over 700,000 employees in 55 high performing organisations around the world in a variety of industries.

Leaders have a disproportionate influence on engagement, so the tone set from the top of the organisation is critical. Strong focus has been placed on this over the past year and, as a result, the level of belief in our strategic direction at all levels of the Company and confidence in senior leader decision making have significantly increased. The progress we saw in our 'leadership index' in 2021/22 has continued in 2022/23, with more leaders than ever behaving in line with our values, at or above our expectations. Further plans are in place for an experienced leaders programme in 2023/24 to continue this positive trajectory.

We have strengthened both 'purpose' and 'results' focus, with the former now ingrained in the core behaviours of the organisation and its people, and the latter now being the dominant leadership style at National Grid. The trait that unifies the organisation remains 'order', vital for a utility delivering the safe and reliable flow of energy to homes and businesses. The fourth defining attribute of our culture is 'caring', less common in the energy sector but a unique strength for National Grid, which aspires to become one of the most diverse, equitable and inclusive companies of the 21st Century. Our focus going forward is to now consolidate and maintain the current culture.

Leading indicators of change

In addition to the quantitative data, the Board also monitors leading indicators of change. Throughout the year this has been through the results of the organisation's 'Living our Values Everyday' campaign, 'Untapped AI' personal development coaching activity and through the 'Team Effectiveness' facilitation programme.

Looking forward

In a world where affordability is more important than ever, we will be dialling up our focus on customers, to ensure we are increasingly responsive to their needs and that we deliver for them efficiently now and in the future, as we work to deliver net zero. We have updated the behaviour statements that sit under our three values to reflect our desire for genuine customer-centricity, and work to embed this is under way. We have also put in place performance contracts for each business unit and function that connect the dots between the work colleagues do and National Grid's overall vision and strategic priorities. So, whatever their role, each colleague can now understand the positive impact of their role on Company performance and society as a whole. The Board will continue to oversee this area and monitor the progress in this area.

For further information on culture see **page 34**

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Culture monitoring and measurement methods

Example 2, Culture monitoring and measurement methods

Ensure the Company's culture is integrated in recruitment, reward, risk management and compliance. Best practice to also make certain and show (if possible) how culture and behaviours are embedded via training and other activities, such as culture change.

It is important to show how those indicators are relevant for the Company and these should be reviewed by the Board.

Intertek Group Plc AR 2022

1 Who we are

We are passionate about our purpose and 'Doing Business the Right Way'. We strive to make the world a better, safer and more sustainable place for all, now and for future generations.

As the world changes, supply chains are rapidly growing in size and complexity, bringing unprecedented levels of risk. As a result, it can become more difficult for businesses to operate safely and sustainably while delivering quality products and services. In these challenging times, companies need a trusted partner, which is why we provide our clients with a unique risk-based approach to Quality Assurance. We call this Total Quality Assurance ('TQA') – and only Intertek offers it.

Our Purpose
Bringing quality, safety and sustainability to life.

Our Vision
To be the world's most trusted partner for Quality Assurance.

Ever better
As a company we are committed to becoming ever better in everything we do. That means more than simply seeking ways to constantly improve our operations for enhanced efficiency and effectiveness. It means investing in our Science-based Customer Excellence approach to provide superior services, enabling our 400,000+ clients to become ever better too.

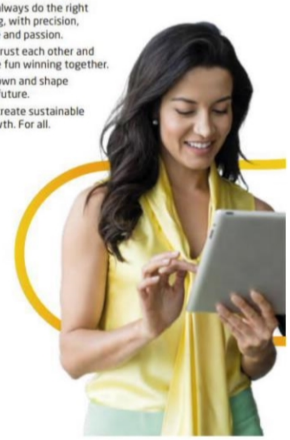
Our people, culture and values
Our core strength is, and always will be, our people. We are guided by science, and it's the way our colleagues combine passion and innovation with customer commitment that sets us apart.

Our decentralised operating culture is built around strong values. These values are inspirational and help us to drive sustainable growth for all. They guide our behaviours every single day, underpinning the way we work, guiding decision making and connecting colleagues across the world.

Sustainability is central to everything we do and we demonstrate our commitment and passion to help our clients make a difference, as well as bettering ourselves every day.

More in Book two, page 10.

Our Values
- We are a global family that values diversity.
- We always do the right thing, with precision, pace and passion.
- We trust each other and have fun winning together.
- We own and shape our future.
- We create sustainable growth. For all.



People and Culture

Our goal is to have fully engaged employees working in a safe environment

Read more on pages 10 to 16

Link to risks: 1 3 5 7 8 11

What we measure:
- Health and Safety incidents
- Employee engagement
- Voluntary permanent employee turnover
- Diversity and inclusion metrics

Why it matters:
Our people bring exceptional technical skills, expertise and their passion and energy to our business and in turn we must keep them safe and engaged and offer them exciting personal growth opportunities.

In action
10X Leadership

At Intertek, our leaders strive to be the best in the industry. We believe in the spirit of Ever Better and know that the ability our leaders have to develop and grow employees in their teams is one of the biggest factors that will influence the exciting growth journey we have ahead of us.

Read more about 10X Leadership and our 10X Coaching Certification Programme on pages 57 and 58.

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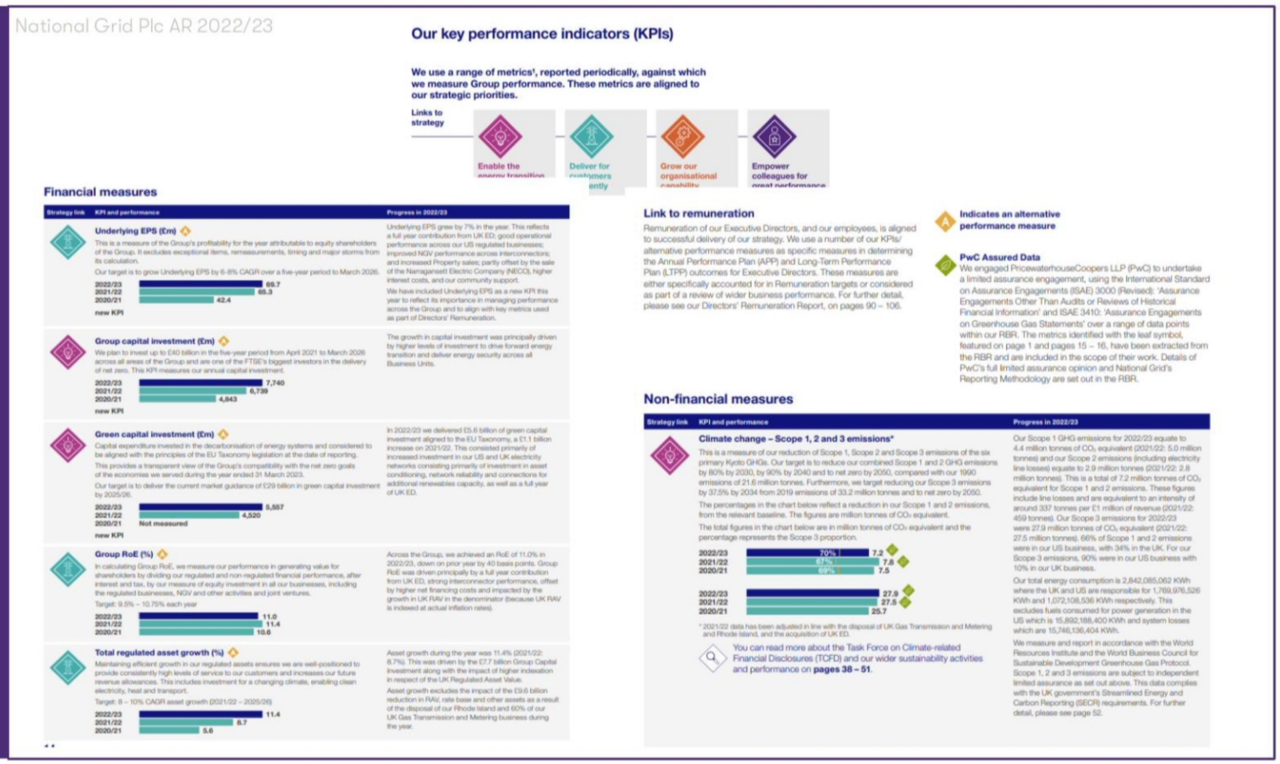
Key Performance Indicators, relevance, progress and strategy

Example 3, KPIs, relevance, progress and strategy

Providing a separate KPIs section within the Business Review can help support a fair and balanced assessment of the company's prospects and position.

Best practice is to consider utilising both financial and non-financial KPIs in your analysis, in so far as they are relevant to the organisation's strategy, and to denote this strategic link to demonstrate integrated reporting – either through signposting (here) or through explanation/a combination as on the following page.



National Grid Plc AR 2022/23

Our key performance indicators (KPIs)

We use a range of metrics[1], reported periodically, against which we measure Group performance. These metrics are aligned to our strategic priorities.

Links to strategy: Enable the energy transition; Deliver for customers efficiently; Grow our organisational capability; Empower colleagues for great performance

Financial measures

Strategy link	KPI and performance	Progress in 2022/23
	Underlying EPS (£m) This is a measure of the Group's profitability for the year attributable to equity shareholders of the Group. It excludes exceptional items, remeasurements, timing and major storms from its calculation. Our target is to grow Underlying EPS by 6-8% CAGR over a five-year period to March 2026. 2022/23 69.7 2021/22 65.3 2020/21 42.4 new KPI	Underlying EPS grew by 7% in the year. This reflects a full year contribution from UK ED; good operational performance across our US regulated businesses; improved NGV performance across interconnectors; and increased Property sales; partly offset by the sale of the Narragansett Electric Company (NECO), higher interest costs, and our community support. We have included Underlying EPS as a new KPI this year to reflect its importance in managing performance across the Group and to align with key metrics used as part of Directors' Remuneration.
	Group capital investment (£m) We plan to invest up to £40 billion in the five-year period from April 2021 to March 2026 across all areas of the Group and are one of the FTSE's biggest investors in the delivery of net zero. This KPI measures our annual capital investment. 2022/23 7,740 2021/22 6,739 2020/21 4,843 new KPI	The growth in capital investment was principally driven by higher levels of investment to drive forward energy transition and deliver energy security across all Business Units.
	Green capital investment (£m) Capital expenditure invested in the decarbonisation of energy systems and considered to be aligned with the principles of the EU Taxonomy legislation at the date of reporting. This provides a transparent view of the Group's compatibility with the net zero goals of the economies we served during the year ended 31 March 2023. Our target is to deliver the current market guidance of £29 billion in green capital investment by 2025/26. 2022/23 5,557 2021/22 4,520 2020/21 Not measured new KPI	In 2022/23 we delivered £5.6 billion of green capital investment aligned to the EU Taxonomy, a £1.1 billion increase on 2021/22. This consisted primarily of increased investment in our US and UK electricity networks consisting primarily of investment in asset conditioning, network reliability and connections for additional renewables capacity, as well as a full year of UK ED.
	Group RoE (%) In calculating Group RoE, we measure our performance in generating value for shareholders by dividing our regulated and non-regulated financial performance, after interest and tax, by our measure of equity investment in all our businesses, including the regulated businesses, NGV and other activities and joint ventures. Target: 9.5% – 10.75% each year 2022/23 11.0 2021/22 11.4 2020/21 10.6	Across the Group, we achieved an RoE of 11.0% in 2022/23, down on prior year by 40 basis points. Group RoE was driven principally by a full year contribution from UK ED, strong interconnector performance, offset by higher net financing costs and impacted by the growth in UK RAV in the denominator (because UK RAV is indexed at actual inflation rates).
	Total regulated asset growth (%) Maintaining efficient growth in our regulated assets ensures we are well-positioned to provide consistently high levels of service to our customers and increases our future revenue allowances. This includes investment for a changing climate, enabling clean electricity, heat and transport. Target: 8 – 10% CAGR asset growth (2021/22 – 2025/26) 2022/23 11.4 2021/22 8.7 2020/21 5.6	Asset growth during the year was 11.4% (2021/22: 8.7%). This was driven by the £7.7 billion Group Capital Investment along with the impact of higher indexation in respect of the UK Regulated Asset Value. Asset growth excludes the impact of the £9.6 billion reduction in RAV, rate base and other assets as a result of the disposal of our Rhode Island and 60% of our UK Gas Transmission and Metering business during the year.

Link to remuneration

Remuneration of our Executive Directors, and our employees, is aligned to successful delivery of our strategy. We use a number of our KPIs/alternative performance measures as specific measures in determining the Annual Performance Plan (APP) and Long-Term Performance Plan (LTPP) outcomes for Executive Directors. These measures are either specifically accounted for in Remuneration targets or considered as part of a review of wider business performance. For further detail, please see our Directors' Remuneration Report, on pages 90 – 106.

Indicates an alternative performance measure

PwC Assured Data
We engaged PricewaterhouseCoopers LLP (PwC) to undertake a limited assurance engagement, using the International Standard on Assurance Engagements (ISAE) 3000 (Revised): 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and ISAE 3410: 'Assurance Engagements on Greenhouse Gas Statements' over a range of data points within our RBR. The metrics identified with the leaf symbol, featured on page 1 and pages 15 – 16, have been extracted from the RBR and are included in the scope of their work. Details of PwC's full limited assurance opinion and National Grid's Reporting Methodology are set out in the RBR.

Non-financial measures

Strategy link	KPI and performance	Progress in 2022/23
	Climate change – Scope 1, 2 and 3 emissions* This is a measure of our reduction of Scope 1, Scope 2 and Scope 3 emissions of the six primary Kyoto GHGs. Our target is to reduce our combined Scope 1 and 2 GHG emissions by 80% by 2030, by 90% by 2040 and to net zero by 2050, compared with our 1990 emissions of 21.6 million tonnes. Furthermore, we target reducing our Scope 3 emissions by 37.5% by 2034 from 2019 emissions of 33.2 million tonnes and to net zero by 2050. The percentages in the chart below reflect a reduction in our Scope 1 and 2 emissions, from the relevant baseline. The figures are million tonnes of CO_2 equivalent. The total figures in the chart below are in million tonnes of CO_2 equivalent and the percentage represents the Scope 3 proportion. 2022/23 70% 7.2 2021/22 67% 7.8 2020/21 69% 7.5 2022/23 27.9 2021/22 27.5 2020/21 25.7 * 2021/22 data has been adjusted in line with the disposal of UK Gas Transmission and Metering and Rhode Island, and the acquisition of UK ED. You can read more about the Task Force on Climate-related Financial Disclosures (TCFD) and our wider sustainability activities and performance on **pages 38 – 51**.	Our Scope 1 GHG emissions for 2022/23 equate to 4.4 million tonnes of CO_2 equivalent (2021/22: 5.0 million tonnes) and our Scope 2 emissions (including electricity line losses) equate to 2.9 million tonnes (2021/22: 2.8 million tonnes). This is a total of 7.2 million tonnes of CO_2 equivalent for Scope 1 and 2 emissions. These figures include line losses and are equivalent to an intensity of around 337 tonnes per £1 million of revenue (2021/22: 459 tonnes). Our Scope 3 emissions for 2022/23 were 27.9 million tonnes of CO_2 equivalent (2021/22: 27.5 million tonnes). 66% of Scope 1 and 2 emissions were in our US business, with 34% in the UK. For our Scope 3 emissions, 90% were in our US business with 10% in our UK business. Our total energy consumption is 2,842,085,062 KWh where the UK and US are responsible for 1,769,976,526 KWh and 1,072,108,536 KWh respectively. This excludes fuels consumed for power generation in the US which is 15,892,188,400 KWh and system losses which are 15,746,136,404 KWh. We measure and report in accordance with the World Resources Institute and the World Business Council for Sustainable Development Greenhouse Gas Protocol. Scope 1, 2 and 3 emissions are subject to independent limited assurance as set out above. This data complies with the UK government's Streamlined Energy and Carbon Reporting (SECR) requirements. For further detail, please see page 52.

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Key Performance Indicators, relevance, progress and strategy

Example 4, KPIs, relevance, progress and strategy

Strong disclosures will support an assessment of how the organisation employs its resources and relationships to achieve its goals and show clearly how it is progressing towards those goals, including its position at the end of the FY.

Other important elements to consider in your disclosures from examples 3 and 4 include:

- Definitions/calculation methods
- Discussion of progress within the financial year
- Linkages to other key elements, i.e. executive and senior management remuneration and risk
- Assurance/delivery
- Relevance and insightful commentary
- Targets for prior, current and future years

Lloyds Banking Group Plc AR 2021

OPERATIONAL AND FINANCIAL KEY PERFORMANCE INDICATORS

Measuring our progress

We use financial and operational metrics to measure the progress of our strategic goals.

Our KPI performance is evidence of the delivery of our broader strategy

Accelerate key initiatives
1. Faster signup of merchants and financial institutions
2. Grow the merchant base
3. Access new revenue pools

Innovate key initiatives
1. Harness the power of partnerships
2. Add new revenue streams to every transaction
3. Be the e-commerce champion in the region

Financial

	Revenue	Underlying EBITDA[1]	Underlying basic EPS[1]
	USD 438.4m +24.5% y/y	USD 178.6m +24.5% y/y	USD 15.7 cents +35.3% y/y
2022	438.4	178.6	15.7
2021	352.2	143.5	11.6
2020	284.8	112.6	6.8
Definition	Total revenue generated by the Group.	Earnings for the year, before interest, taxes, depreciation and amortisation, unrealised foreign exchange gain/losses, gain on disposal of subsidiary/associate, share of depreciation from associate and specially disclosed items affecting EBITDA.	The underlying net income attributable to shareholders divided by the weighted average number of ordinary shares during the relevant financial year.
Why is this important to us?	Growing revenue across the Group indicates structural underlying market growth and market share gains.	Through monitoring margins we ensure that our scale is generating cost leverage; whilst at the same time we are investing in appropriate areas in order to maintain future revenue growth.	Ensures a focus on profitable growth and value attributable to each shareholder.
Link to strategy	1 2 3 1 2 3	1 2 2 3	1 2 2 3

Operational

	Total Processed Volume[1] (TPV)	Number of credentials hosted[2]	Number of transactions[2]
	USD 45.9bn +37.7% y/y	18.0m +8.4% y/y	1.3bn +32.1%
2022	45.9	18.0	1.3bn
2021	33.3	16.6	979.9m
2020	25.9	16.2	758.1m
Definition	The aggregate monetary volume of purchases processed on behalf of merchants within the Merchant Services business line.[3]	The aggregate number of digital payment credentials, such as cards or mobile money wallets, managed on behalf of our financial institution (FI) and fintech customers in the Outsourced Payment Services business line.	The aggregate number of transactions processed, on digital payment credentials that we manage on behalf of our financial institution and fintech customers in the Outsourced Payment Services business line.
Why is this important to us?	Growing TPV is a proxy for the success of the Merchant Services business line. Indicating an expansion in the number of merchant customers and growing volumes with both existing and new customers.	Growing the number of credentials hosted is a proxy for the success of the Outsourced Payment Services business line. Indicating an expansion in the number of FI customers and the number of payment credentials we manage on their behalf.	Growing the number of transactions hosted is another proxy for the success of the Outsourced Payment Services business line. Indicating an expansion in the number of FI customers and the number of transactions processed on the payment credentials we manage on their behalf.
Link to strategy	1 2 1 2 3	1 3 1 2	1 3 1 2

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Composition, evaluation and succession – tool kit

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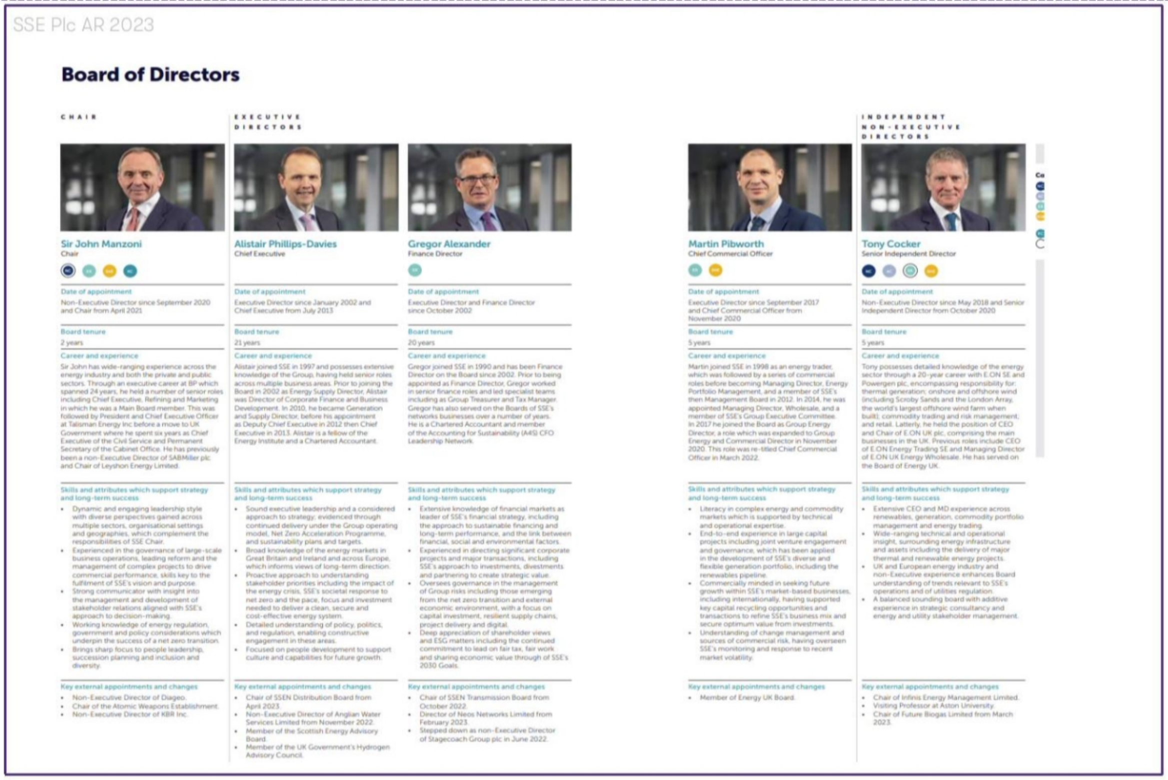
Composition, succession and evaluation

Example 5, Board members' skills and experience

When outlining details of the organisation's Board, it is best practice to give information on the Directors that is relevant, valuable and understandable, in terms of clearly articulating Board member's skills and experience.

The focus should be on describing how each Director adds value, contributes to strategy delivery, and brings challenge to the Board. This example distinctly indicates this, under their 'Career and experience' narrative, in a section which notes 'Skills and attributes which support strategy and long-term success' set out clearly in narrative bullet points. Some companies will integrate this narrative into the description of the Director's career, skills and experience as overleaf.



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Composition, succession and evaluation

Example 6, Board members' skills and experience

Descriptions should include information on Director's:

- Education
- Qualifications and trainings
- Specific industry and technical knowledge
- Work experience
- Positions of responsibility/seniority
- Previous directorships and other appointments

This can assist stakeholders in assessing where the organisations sees value and give comfort as to the Board's composition in overseeing and contributing to strategic achievement, and when it comes to Director's tenure/staying on for another term. This could be especially valuable in the case of POL, whose single Shareholder approves Director appointments.

BP Plc AR 2023

Board of directors

As at 10 March 2023

P

Helge Lund
Chair

Appointed
Board: 26 July 2018; Chair: 1 January 2019

Nationality
Norwegian

Outside interests
Chair of Novo Nordisk AS; Operating advisor to Clayton Dubilier & Rice; Member of the Board of Trustees of the International Crisis Group; Member of the European Round Table for Industry; Mentor at Chair Mentors International

Career summary
Helge Lund was appointed chair of the bp board on 1 January 2019. He served as chief executive of BG Group from 2015 to 2016, when it merged with Shell. He joined BG Group from Equinor (formerly Statoil) where he served as its president and chief executive officer for 10 years from 2004. Prior to Equinor, Helge was president and chief executive officer of the industrial conglomerate Aker Kvaerner, and has also held executive positions in the Norwegian industrial holding company, Aker RGI, and the former Norwegian power and industry company, Hafslund Nycomed. He worked as a consultant with McKinsey & Company and served as a political advisor for the parliamentary group of the Conservative party in Norway. Prior to joining bp, he was a non-executive director of the oil service group Schlumberger from 2016 to 2018, and Nokia from 2011 to 2014. He served as a member of the United Nations Secretary-General's Advisory Group on Sustainable Energy from 2011 to 2014.

Skills and experience
Helge's distinguished career as a leader in the energy industry and his open-minded and forward-looking approach is vital as he leads the board in its oversight of the delivery of bp's new strategy and net zero ambition. He has deep industry knowledge and global business experience – not only in the oil and gas industry but also in pharmaceuticals, healthcare and construction. His innovative leadership of the board drives cohesion and a strong environment for constructive challenge and oversight as bp works to transform into an integrated energy company.

Bernard Looney
Chief executive officer

Appointed
5 February 2020

Nationality
Irish

Outside interests
Fellow of the Royal Academy of Engineering; Fellow of the Energy Institute; Mentor for the FTSE 100 Cross-Company Mentoring Executive Programme

Career summary
Bernard Looney was appointed chief executive officer in February 2020. He previously ran bp's Upstream business from April 2016 and has been a member of the company's executive management team since November 2010. As chief executive, Upstream, Bernard was responsible for bp's oil and gas exploration, development and production activities worldwide. In this role, Bernard oversaw improvements in both process and personal safety performances, and production grew by 20%. He led access into new countries, high-graded the portfolio and created innovative new business models. In earlier Upstream executive roles, he was responsible for all bp-operated oil and gas production worldwide and for all bp's drilling and major project activity. Bernard joined bp in 1991 as a drilling engineer and worked in operational roles in the North Sea, Vietnam and the Gulf of Mexico.

Skills and experience
Bernard has spent his career at bp and has demonstrated dynamic leadership and vision while progressing through various roles. During his 10 years as a leader of Upstream, Bernard saw the segment through one of the most difficult periods in bp's history, helping transform the organization into a safer, stronger and more resilient business. He has been instrumental in a number of workforce-based initiatives to promote a diverse and inclusive environment. Bernard set out bp's new strategy in 2020 and is guiding the company through its transformation from international oil company to integrated energy company.

Murray Auchincloss
Chief financial officer

Appointed
1 July 2020

Nationality
Canadian

Outside interests
Board member of Aker BP; Member of the 100 Group Main Committee; Member of the European Round Table for CFOs

Career summary
Murray Auchincloss qualified as a chartered financial analyst in the US, leading on to a wide range of tax and financial roles, first for Amoco and then for bp after the two organizations merged in 1998. Murray has worked in both the US and the UK, in a range of roles including chief financial officer, Upstream, and chief financial officer, North Sea. He was the chief financial officer of the company's North American Gas business and, as head of the chief executive's office for three years, managed all aspects of that office and the executive process. As chief financial officer, Murray heads up finance, tax, treasury, planning and performance management, mergers and acquisitions, investor relations, audit, global business services and procurement. Murray is currently a member of the board of directors for Aker BP ASA, Norway, and a member of the 100 Group Main Committee.

Skills and experience
Murray's financial expertise, experience and knowledge make him a trusted advisor and group leader. His broad experience of working across the group has provided him with deep insight into bp's assets and businesses. Murray has a degree in commerce from the University of Calgary, Canada, and qualified as a chartered financial analyst at the University of West Virginia, US. His drive to modernize is improving bp's financial teams, controlling costs and continuing to deliver transparent financial disclosures to investors and markets.

R A P

Paula Rosput Reynolds
Senior independent director

Appointed
Board: 14 May 2015; senior independent director: 27 May 2020

Nationality
American

Outside interests
Director and chair of National Grid plc; Non-executive director of General Electric Company

Career summary
Paula Rosput Reynolds started her energy career at Pacific Gas & Electric Corp in 1979 and spent over 25 years in the energy industry. She has held a number of executive positions during her career, including CEO of Duke Energy Power Services; chair, president and CEO of AGL Resources; chair and CEO of Safeco Corporation; and vice-chair and chief restructuring officer of AIG. Paula was previously a non-executive director of TransCanada Corporation, CBRE Group, Inc, BAE Systems PLC, Anadarko Petroleum, Delta Air Lines and Coca Cola Enterprises, and Chair of the Seattle Cancer Care Alliance. She was appointed chair of National Grid plc in 2021.

Skills and experience
Paula has had a long career leading global companies in the energy and financial sectors. Her experience with international and US companies, including several restructuring processes and mergers, gives her insight into strategic and regulatory issues, which is an asset to the board. Her wider business experience and understanding of the views of investors make her well-suited to her roles as chair of bp's remuneration committee and senior independent director.

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Composition, succession and evaluation

Example 7, Board skills matrix

There are a variety of ways to present your board's skills effectively in support of details on Director's skills and experience. This can give an overview of perceived strengths and gaps.

The key thing it to ensure that the skills matrix represents your board's skills accurately and in the context of what is important to your Board.

Practices vary across companies, with some relying on anonymity and others presenting board skills as attributed to individual board members.

The examples on the right visually are the most common way of demonstrating a board skills matrix, however the example on the right (Lloyds) is also considered a good representation and presents the data in aggregate in an engaging way, if seeing the overall picture is more important to your Board.

Lloyds Banking Group Plc AR 2022

Collective view of the skills, experience and knowledge of the non-executive directors[1]

Retail/Commercial Banking	●	Major Change Programmes	●
Financial Markets/ Wholesale Banking/ Treasury	●	ESG: Environment, Sustainability and Climate Change	◕
Insurance	●	ESG: Social, Inclusion and Diversity and Governance	◕
Audit and Finance	●	Listed Board Governance, including Investor Relations and Remuneration	●
Risk – in Financial Institutions	●	Government/ Regulator Interface	●
Technology/Digital	◕	Strategic Thinking	●
Consumer/Marketing/Distribution	◕		

◕ Good experience and knowledge
● Deep experience – distinctive strength

1 Assessment by the Nomination and Governance Committee as at 18 January 2023.

Glencore Plc AR 2022 and BP Plc AR 2022

Board diversity, skills and experience

	Kalidas Madhavpeddi American	Gary Nagle S. African	Martin Gilbert British	Cynthia Carroll American	Peter Coates Australian	Gill Marcus S. African	Patrice Merrin Canadian	David Wormsley British	Liz Hewitt British
Experience									
Resources	●	●		●	●		●		
Non-executive directorship	●	●	●	●	●	●	●	●	●
C-suite	●	●	●	●	●	●	●		
International M&A	●	●	●	●	●		●	●	●
Technical Skills*									
Leadership & Strategy	●	●	●	●	●	●	●	●	●
Financial Expertise	●	●	●			●		●	●
ESG	●	●	●	●	●	●	●	●	●
Health & Safety	●	●	●	●	●		●		
Investor Relations	●	●	●	●	●		●	●	●
Communications & Reputation	●	●	●	●	●	●	●	●	●
Risk Management	●	●	●	●	●	●	●	●	●

* The majority of these skills have been acquired through exposure and experience at leadership level, rather than as part of a formal education.

Skills matrix

	Background and experience							
	Energy markets	Operational excellence and risk management	Global business leadership and governance	Technology, digital and innovation	Climate change and sustainability	People leadership and organizational transformation	Society, politics and geopolitics	Finance, risk and trading
Non-executive directors								
Amanda Blanc		●	●		●	●	●	●
Pamela Daley			●					●
Helge Lund	●	●	●		●	●	●	
Melody Meyer	●	●	●		●			
Tushar Morzaria		●	●			●		●
Hina Nagarajan		●	●	●	●	●		
Satish Pai	●	●	●	●	●	●		
Paula Reynolds	●	●		●		●		●
Karen Richardson		●	●	●		●		●
Sir John Sawers						●	●	
Johannes Teyssen	●	●	●		●	●	●	

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Composition, succession and evaluation

Example 8, Director induction and training arrangements

Director induction and training are key to ensuring that Directors can and can continue to make valuable contributions to the Board as soon as possible after joining the Board and throughout their tenure.

Best practice outlines what is included in the Directors induction process and what form this takes (trainings, briefings, site visits, meetings with key stakeholders). This can also link back to strategy and/or the business model.

This example provides a both a broad description that describes these elements, while providing a more detailed insight based on a Director that joined very recently and how their induction has been tailored based on their existing skills and experiences.

BT Group Plc AR 2022

Board induction

On appointment, directors undertake a comprehensive induction programme designed to give them a thorough overview and understanding of the business.

This is tailored to take into account the director's previous experience, their responsibilities and, for each Non-Executive Director, the specific responsibilities relevant to their committee memberships. The programme includes meetings with the Chairman, the Chief Executive, other members of the Board and the Company Secretary, as well as members of the *Executive Committee* and senior management. Directors also receive key information on our strategy and KPIs, governance framework, the regulatory framework in which we operate, recent financial performance, risk management and internal control systems and the policies supporting our business practices.

Directors are encouraged to visit our different offices, contact centres and BT/EE retail shops, as well as spending a day with an Openreach engineer. Set out opposite is the induction programme undertaken by Steven Guggenheimer, who joined the Board in October 2022.

Steven's induction programme

"**The combination of high-quality reading materials and tailored meetings with colleagues provided me with the information necessary to be able to engage in a meaningful way right from the start of my Board tenure.**

Steven Guggenheimer
Independent Non-Executive Director

Steven joined the Board on 1 October 2022 as an Independent Non-Executive Director, and as a member of the *Nominations* and the *Digital Impact & Sustainability Committees*. Ahead of his appointment, Steven received an induction pack with key reference materials that provided a thorough understanding of the BT Group, including the most recent financial results, information on our strategy and each of our business units, the governance framework, director responsibilities, ethical policies and the Ofcom Commitments.

Steven held a number of induction meetings including with the Chief Executive, Chief Financial Officer, and members of the *Executive Committee* as well as other Board members and key senior leaders including the Director of Risk, Compliance & Assurance, the Director of Investor Relations, the Heads of the business units as well as the CEO, Openreach.

Given his background in technology and software companies, Steven held a deep-dive session with the Chief Security and Networks Officer, the Chief Information Security Officer, and the Chief Digital and Innovation Officer in December 2022, and a series of deep-dive sessions in January 2023.

Steven will be visiting Adastral Park and our BT/EE retail shops to gain a broader insight into customer journeys and experiences, and into the work of our frontline colleagues.

Maggie Chan Jones
Independent
Non-Executive Director

Ruth Cairnie
Independent
Non-Executive Director

Maggie Chan Jones and Ruth Cairnie, who joined the Board on 1 March 2023 and 6 April 2023 respectively, are currently going through their induction and their programmes will be reported in the 2024 Annual Report.

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Composition, succession and evaluation

Example 9, Director induction and training arrangements

On-going training arrangements should also be described, including identifying how on-going training needs are identified and what training has been provided during the year/will be provided next year.

This example notes that the Chair is responsible for ensuring that the Directors receive on-going development and training (most likely identified in one-to-one evaluations should these be in place) and describes what training has been provided this year. This also acknowledges the importance of on-going development and training in Directors being prepared and able to contribute to and support strategy delivery.

National Grid Plc AR 2022/23

Directors' induction, development and training

Together with the support of the Group General Counsel and Company Secretary and her team, the Chair has overall responsibility for ensuring that our Non-executive Directors receive a comprehensive induction and ongoing development and training. The induction programme and induction pack are tailored to their experience, background, Committee membership and requirements of their role. They are encouraged to engage with the business by visiting sites in the UK and US. As our internal and external business environment continues to change, it is important to ensure that Directors' skills and knowledge are refreshed and updated regularly.

As part of continuing to enhance their knowledge of the business, during the year, the Board attended a series of enrichment sessions on a number of topics including ESG, the British Energy Security Strategy, energy futures and US utility regulation, supply chain & inflation and winter outlook and preparedness. They also received corporate governance updates, investor guidelines and potential changes to legislation and regulation through updates to the Board or the relevant Committees.

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Audit, risk and internal control – tool kit

Internal controls, risk and audit (continued)

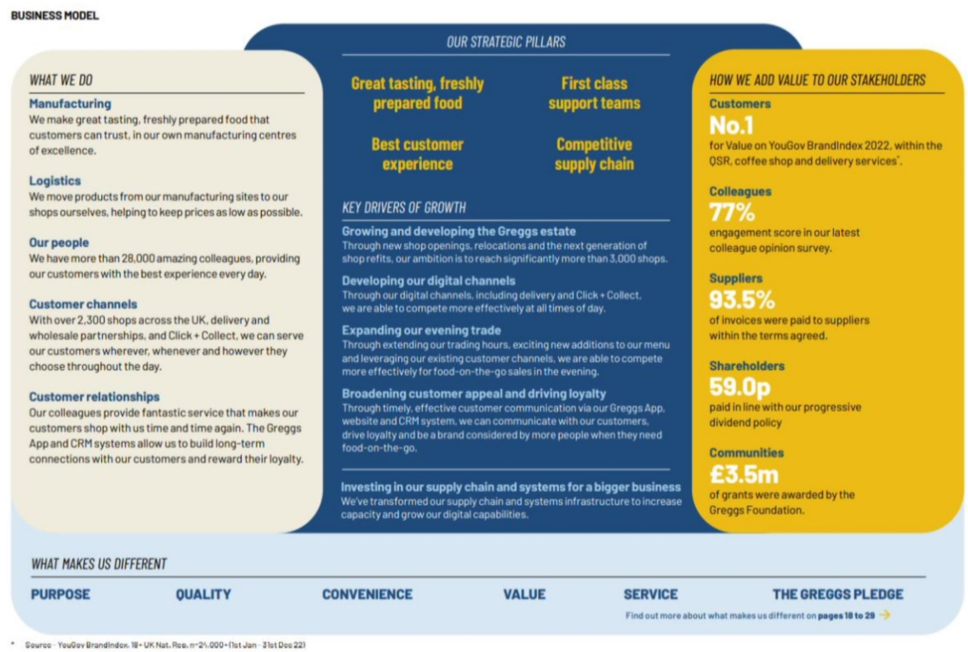
Example 10, Business model and strategy

A description of the company's business model can help stakeholders assess the basis on which the company generates and preserves value over the long-term, including considering the sustainability of the company's business model.

Best practice description of a business model clearly details the following:

- What the company does (products or services they deliver to the market)
- How they do it (values, strategic framework)
- Where it does it (markets(s) it operates in)
- How it generates Shareholder value over the short and long term
- How it creates value for different stakeholders
- Why them – how the company differentiates itself from competitors
- Why this – purpose beyond money

Greggs Plc AR 2022



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Internal controls, risk and audit

Example 11, Business model and strategy cont'd

Other elements to consider within this is sufficient and specific detail relating to the company around the elements outlined in example 11, but also whether, for example. strategy, KPIs are integrated into detail of the business model or cross-referenced.

Whereas example 10 presents cross-referencing/signposting, example 11 demonstrates another form of 'integrated reporting' whereby the strategy is articulated within the description and detail of the business model.

Both ways can be effective in explaining how the company generates and preserves value in the long-term through their strategy and business model.

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Internal controls, risk and audit

Example 12, Internal controls effectiveness review

Consider including within your disclosures around risk management
and internal controls some detail on the process of review for internal controls, such as areas of the system that have been reviewed and where more focus has been applied and the rationale for both, as well as the methods used for this analysis (reports, internal control, etc).

It is important to indicate that all material controls have been reviewed (operational, financial, compliance), especially with the upcoming changes to the UK Code (effective 2025/26) and to disclose conclusions and findings or areas identified for improvement, even if they are not considered a significant weakness/considered insignificant or the system is still considered effective. Insight on improvement/remediation activities would also strengthen this disclosure.

Man Group Plc AR 2022

Ongoing monitoring of the Group's systems of risk management and internal control
The ARCom is satisfied that – through regular review of reports and dashboards, in-depth assessment of key business areas and functions, consideration of changes to the Risk Governance and Appetite Framework and ongoing review of progress against the Internal Audit Plan (more detail below) – it is appropriately monitoring the ongoing effectiveness of Man Group's systems of risk management and internal control. Further details can be found in the Risk Management section on page 28.

During the year, a number of operational matters were reported to the ARCom. These were discussed as necessary throughout the year and papers summarising these matters were considered by the ARCom at its February 2023 and December 2022 meetings. Whilst Man Group sought to improve its processes in response to the matters identified, they were not considered sufficiently material in number or nature either to require separate disclosure in the financial statements or to indicate that the control environment had not been operating effectively. The ARCom also concluded that there were no specific matters to bring to the Remuneration Committee's attention which may impact its decision on discretionary remuneration payments, given management action had already been taken where necessary.

Drax Group Plc AR 2022

Reviewing the effectiveness of the system of risk management and internal controls

The Committee received updates on the Group's risk management and internal control environment and reviewed internal audit reports at each of the four meetings held during 2022. It gave particular focus to the emerging risks arising from the conflict in Ukraine and ongoing volatility within commodity markets, and how management were responding.

At its meeting in April, the Committee considered in detail how management had responded to the emerging risks from the conflict in Ukraine, including the formation of a working group, detailed tracking of risks, and the escalation of key items to the Executive Committee and Board as appropriate. In addition a deep-dive was performed into the impact of the conflict on cyber security risks, incorporating information provided by external parties, and considering the actions both already taken and planned in response.

internal control reviews during the year including wider cyber security risks, ethics and business conduct, health and safety, and climate change and sustainability. As part of the latter review, the Committee challenged management on the level of external assurance and verification of the data and statements included in the Group's external reporting. Following this, and a review of management's risk assessment, the Committee were satisfied with the level of assurance being provided.

Where the Committee feels it is of value, external parties are engaged to support with subject matter deep-dive reviews and those parties may be asked to attend Committee meetings to provide additional expertise and insight. For example, DNV Limited attended the meeting of the Committee in November 2022 to provide an update on their internal audit work around health, safety and environment, and their key findings.

Alongside the expert support provided by these external parties, management also co-ordinates an ongoing self-assessment and review of risk management and internal control activities covering the Group's principal risks. Control owners are required to provide a quarterly assessment on the operation of key controls, and to detail any potential gaps or control failures identified. These responses are then reviewed by a separate internal team, and the assessments of control operation and effectiveness are periodically verified.

This assessment is performed against the broader context of changes in both the underlying risks and also the environment in which the Group is operating, and considers whether prevailing controls remain appropriate. To support this, the Committee regularly reviews a detailed Assurance Map for the Group, covering each of the Principal Risks. This documents the differen levels of assurance that are in place, and how they are structurec It also provides management's assessment of whether the overal level of assurance is appropriate, or has areas that require addressing. The Committee challenges management on this assessment and identifies any areas that they feel require furthe assurance, giving guidance or instruction on how that should be provided, where necessary.

Having reviewed the latest Assurance Map at their meeting in November 2022, the Committee was satisfied that there were no significant gaps in the levels of assurance maintained by Group. The Committee recognised the need for continued focus on the assurance around biomass acceptability, climate change and political and regulatory principal risks, as these areas are rapidly changing and can have a significant impact on the Group. Several actions were agreed at the meeting, to be implemented in 2023, including the further development of second-line assurance in these areas. Additional detail on the Group's Principal Risks and key mitigations can be found on page 78.

As noted above, conditions in energy markets remained volatile during 2022, and what initially appeared to be short-term pressure on prices at the start of 2022 became more prolonged. This has exposed the Group to the risk of an increased financial cost from an unplanned outage were such an event to occur, and can also present challenges in respect of liquidity and credit, requiring careful management.

The Committee received updates on the impact of these changes during the year, and the mitigating actions being taken by management to manage these evolving risks. This included the outputs from scenario and liquidity planning and stress testing to consider whether established trading, risk management, and plant operational policies remained appropriate in light of market conditions. The oversight and management of these risks falls under the remit of the Financial Risk Management Committee,

(as detailed on page 103). The Committee was satisfied with the mitigating controls implemented to manage the underlying risks, and that potential future scenarios were being appropriately considered.

The Committee also works with the internal auditor, KPMG, to assess the broader system of risk management and internal control. The annual internal audit plan is designed with input from the Committee and wider management, and focuses on key areas of risk for the Group. This provides the Committee with an additional independent perspective on whether the key controls mitigating these risks remain appropriate and effective. Where appropriate, the internal auditor will provide detailed recommendations to improve the systems of risk management and internal control. Further detail on the role of internal audit is provided on page 125.

Updates provided to the Committee by management on risk management and internal controls during 2022 included financial reporting, and the continued development of the Group's financial control framework. This framework takes a risk-based approach to defining required levels of internal financial control, focused on mitigating the risk of material misstatement arising in the financial statements, due to either error or fraud. During 2022 the focus of this work was on continuing to drive consistency and best practice across the Group, and in particular aligning the approach across the Pinnacle operations, acquired in 2021. Significant work was also undertaken around the financial systems roadmap for the Group and on developing plans to harmonise and streamline approaches, with a focus on automation of controls where possible.

The continued enhancement of the financial control framework forms part of the Group's overall response to the corporate governance reforms proposed by BEIS ("Restoring trust in audit and corporate governance"). At meetings during 2022, the Committee received updates from the internal auditor on the latest developments in this area and discussed the planned approach in responding to potential future changes. This was supported by a deep-dive review at the meeting held in November 2022, which included an update on management's plans and the progress against these, as well as an assessment of the areas likely to require most focus in 2023. The Committee was satisfied with the progress being made in this area, and that the proposals published by BEIS are being appropriately considered and addressed by management.

As part of its routine business, the Committee review and discuss findings and action points arising from the internal and external reviews that are performed, to assess whether improvement plans are suitably robust and have appropriate delivery targets. None of the findings discussed during 2022 were considered individually or collectively material to the financial performance, results, operations, or controls of the business, but the assessments did identify opportunities for future improvements. Areas highlighted include how learnings from past health and safety events can be more rapidly incorporated into future working practices, and how access to automated systems must continue to evolve, including multifactor authentication.

The Committee considered information arising from internal whistleblowing reports. It discussed with management the scope of any investigation and challenged on the appropriateness of the steps being taken in response. The Board was also updated on these reviews separately. The Committee seeks to understand how matters identified in incidents inform training for colleagues and how actions by management can improve culture within our operations. An explanation of the Group's Whistleblowing Policy can be found on page 105.

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Internal controls, risk and audit

Example 13, Auditor independence and safeguards

Where the auditor of the organisation provides non-audit services in addition to audit services, there should be an explanation of how the auditors objectivity and independence is maintained.

As most organisations will utilise their auditors for work outside of the external audit, this should be addressed clearly and in detail.

A good and detailed disclosure will do as is evidenced in this example, right, by outlining the safeguards in place, ie their policies, private meetings, and other checks and balances (approvals and considerations), as well as why it is appropriate, the non-audit work provided, and the fees proportionally of audit vs non-audit.

Drax Group Plc AR 2022

Independence of external audit

The Group has an Auditor Independence Policy (AIP) that defines procedures and guidance under which the Company's relationship with its external auditor is governed. The AIP also facilitates the Committee being able to satisfy itself that there are no factors that may, or may be seen to, impinge upon the independence, objectivity and effectiveness of the external audit process. The Committee reviews the AIP annually and last did so in July 2022. As part of this annual review, the Committee considers areas of development in best practice and guidance. The main features of the current AIP (which is available at www.drax.com) are:

- A requirement to review the quality, cost effectiveness, independence and objectivity of the external auditor
- A requirement to rotate the lead Audit Partner every five years, and processes governing the employment of former external auditor employees
- A policy governing the engagement of the auditor to conduct non-audit activities, which is expected to occur in very limited circumstances and is kept under review at each meeting of the Committee

The external auditor also reports to the Committee on its own processes and procedures to ensure independence, objectivity and compliance with the relevant standards.

The amounts paid to the external auditor during each of the financial years ended 31 December 2021 and 2022 for audit and non-audit services are set out below and in note 2.3 to the Consolidated financial statements (page 193).

Schedule of fees paid to Deloitte LLP	Year ended 31 December 2022 £000's	Year ended 31 December 2021 £000's
Audit fees:		
Statutory audit of Drax Group	1375.0	1,250.0
Statutory audit of the Company's subsidiaries	40.0	40.0
Total audit fees:	1,415.0	1,290.0
Interim review	115.0	110.0
Other assurance services	46.2	42.3
Assurance services provided to non-material affiliates	18.0	16.4
Corporate refinancing fees	65.0	–
Reporting accountant fees	–	469.0
Total non-audit fees:	244.2	637.7
Total auditor's remuneration	1,659.2	1,927.7

As noted opposite, the external auditor should not provide non-audit services where it might impair its independence or objectivity. Therefore, any engagement for the provision of non-audit services requires prior approval from the Committee or Committee Chair. Agreement to allow the external audit firm to perform additional non-audit services is taken only after considering two key factors. Namely, that the non-audit services policy has been fully applied and that any engagements are in the best interests of the Group and its key stakeholders.

During 2022 there was a decrease in the level of non-audit services provided by Deloitte, with the most significant item being the Group's interim review. In 2021, Deloitte provided support in a limited reporting accountant role in respect of the shareholder circular for the acquisition of Pinnacle, with fees totalling £469,000.

In all cases the Committee was satisfied that the work was best handled by the external auditor because of its knowledge of the Group, and that the services provided did not give rise to threats to independence. The Committee was also satisfied that the overall levels of audit and non-audit fees were not of a material level relative to the income of Deloitte as a whole, and that the level of non-audit fees was below the 70% cap, based on the average audit fee for the preceding three years.

Persimmon Plc AR 2022

Independence and objectivity of external audit

The Audit & Risk Committee monitors the independence and objectivity of the external auditor and lead partner on an ongoing basis, with a formal review annually. This is a crucial area of the Committee's work, as it serves to ensure an appropriate professional scepticism in the work of the external auditor. The independence and objectivity of the external auditor are assessed through a range of measures.

Audit partner rotation

The Group's policy is to rotate the audit partner at least every five years. The lead audit partner is Victoria Venning, who has held the role since April 2021, replacing Peter McIver in line with the Group's policy requirements.

Non-audit services policy

The Group has a defined policy limiting the provision and value of non-audit services performed by the external auditor. The policy represents a key control to ensure that the nature of any non-audit services performed, and the fee earned for such work relative to the fees earned for the audit, does not compromise in fact or appearance the auditor's independence, objectivity or integrity. Under the terms of the policy, the auditor is excluded from undertaking a range of work on behalf of the Group. The auditor may be commissioned to provide audit related services and permitted non-audit-related services with the specific approval of the Audit & Risk Committee. The Committee has confirmed that this policy was adhered to within the year.

Independence declarations

The external auditor provides a detailed independence confirmation, prepared in line with the provisions of the FRC Ethical Standard and ISA (UK) 260 (Communication of audit matters with those charged with governance). This confirmation is formally reported to, and subject to the review and approval of the Committee.

Private meetings with external audit

The Committee's assessment is further informed by private meetings with EY without management present. Within these meetings, the Committee reviews the auditor's assessment of the business risks and management's mitigation of those risks, and the transparency and openness of the auditor's interactions with management, and seeks confirmation that there has been no restriction in scope or other hindrance placed upon them.

The Committee is satisfied that these measures have operated effectively in the year. As such, the Committee continues to consider that EY, and Victoria Venning as lead audit partner, remain independent and objective.

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Internal controls, risk and audit

Example 14, Auditor selection, re-appointment or removal

Best practice provides detailed insight annually as to the external auditor's performance for the organisation, including how this has impacted the decision to re-appoint, remove or select an external auditor.

The description should articulate who the auditor currently is, whether it has changed recently (ie when last tendered, appointed) and if so, what the outcome of any tender process which resulted in a change in appointment was.

It should provide details as to how the auditor effectiveness is assessed/the criteria the auditor is measured against, what the findings of the process was in the year and any future actions identified to ensure a good quality service in future years.

This example evidences all of these elements with strong detail.

Man Group Plc AR 2022

Effectiveness of external audit process

At the May 2022 meeting, the ARCom considered feedback from ARCom members and various members of the management team in order to facilitate the ARCom's formal assessment of the effectiveness of the external audit process. Respondents were asked for their views on several components of the external audit process including the quality of the audit partner and team, planning and execution of the audit, quality of audit reporting and the external auditor's independence and objectivity.

The responses indicated that, overall, Deloitte was performing in line with expectations, with the audit team demonstrating appropriate challenge and understanding of Man Group's business. Deloitte's management of the transition of the lead engagement partner during 2021 was cited as a particularly positive area, with the continued involvement of key members of the wider Deloitte team and the proactive approach of the new lead engagement partner having resulted in a successful and smooth transition.

Summary of tender stages and process

April – May 2022

Approved the scope of the audit tender, as well as the overall approach and composition of a selection panel who would have delegated authority to recommend the chosen audit firm to the ARCom. The selection panel was composed of Lucinda Bell, Jackie Hunt, Antoine Forterre and Julie Fountain, the Group Financial Controller. It was agreed that the ARCom Secretary would also attend certain selection panel meetings.

Multiple candidates, including challenger firms, were approached for preliminary discussions.

May – July 2022

A selection of the candidates to participate in the tender was approved by the ARCom. Each firm was issued with a request to submit a formal expression of interest in participating in the tender process, along with a request for confirmation of independence where applicable.

The ARCom Chair led a partner selection process for each candidate which was also completed following interviews of the relevant individuals proposed by the firms.

July 2022

The ARCom approved the request for proposal document to be completed by each participating firm. The selection panel then reviewed written proposals from the candidates, assessing each of these against the following criteria:

- reputation of firm (including FRC reports and findings on past audits by candidates)
- audit approach
- transitional arrangements
- ESG assurance credentials
- proposed fees and terms
- independence considerations

The ARCom will continue to assess the external audit process annually to ensure that it remains effective and the audit fee represents good value to shareholders, while mandatory rotation of the external auditor is required by the 2034 financial year. The ARCom confirms that the Company has complied with the provisions of the Statutory Audit Services Order 2014 for the financial year under review.

The output of the effectiveness review also praised the efficiency of the audit, several audits having been brought forward to earlier in the process, as well as the quality of the wider audit team.

A number of areas, including the development of audit quality indicators and enhanced coordination with Internal Audit, were identified as requiring further consideration and Deloitte's plans to address these issues were set out alongside their 2022 Audit Plan. After discussion, the ARCom concluded that the external audit process in respect of the 2021 financial statements had been effective.

An example of an area where Deloitte challenged management's assumptions and judgement was in relation to the underlying assumptions used in the assessment of the investment property right-of-use lease asset for impairment and the appropriate recognition of deferred tax assets. In all areas, Deloitte concluded that the assumptions and judgements applied by management were appropriate.

External audit tender process – reappointment of Deloitte as external auditor

Deloitte was appointed as the Group's external auditor in 2014, following a tender process led by the ARCom in 2013. In accordance with the Code and the Competition and Markets Authority's Order 2014 (the Order), the Company was required to put its external audit out to tender again in 2023 at the latest.

Following initial planning initiated in 2021, a decision was taken to proceed with the external audit tender in 2022 for the audit in respect of the financial year ending 31 December 2024. This approach was taken to allow for maximum participation, ensuring sufficient time to allow for a smooth transition, if required. The key aspects of the tender process conducted during 2022 are documented below.

Following the ARCom's review of the effectiveness of the external audit process earlier in the year, its assessment of the external auditor's independence and objectivity, and considerations relating to the audit tender process undertaken during the year, it has recommended the reappointment of Deloitte as Man Group's external auditor to the Board. The Board has subsequently recommended the reappointment of Deloitte for approval by shareholders at the 2023 Annual General Meeting.

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Internal controls, risk and audit

Example 15, Emerging risk and mitigation

As part of supporting the Board's role in carrying out a robust assessment of emerging risks in addition to principal/key risks, we have noted in recent reporting cycles, the emergence of emerging risk disclosures similar to principal risk disclosures.

The best practice disclosures focus on describing the risk and its relevance, as would be expected of principal risks, as well as highlighting particular elements such as timelines, approach, risk appetite, mitigations (in this case, cross-referenced/signposted) to support their disclosures around risk.

Approaching disclosures of emerging risks as an organisation would, principal risks, can provide confidence to stakeholders that senior management and the Board are undertaking horizon scanning and reflecting periodically on shifting risk profiles, impact, timelines and severity.

SSP Group Plc AR 2023

Emerging risks
SSP defines emerging risks as those whose timing and impact are not entirely certain but may, over time, pose a risk to the delivery of the Group's strategy. We have well-established processes for identifying and monitoring emerging risks through horizon scanning and our embedded risk management framework, both at Group and regional levels.

At the regional level, we employ a bottom-up approach, where incidents and trends are monitored and discussed at regional risk committees and Group Executive Committee meetings (as applicable). Depending on the perceived impact and probability of these risks, they are escalated to the Group CEO and Deputy Group CEO and CFO through weekly trading updates and subsequently to the Group Executive and Risk Committees, as appropriate. Regional management closely monitors these risks and periodically updates Group management.

At the Group level, we adopt a top-down approach through our annual risk assessment exercise, during which emerging risks are discussed with senior regional management (CEOs and CFOs) and Group management, including heads of Finance, HR, Procurement, and Legal departments. Identified risks are reviewed and approved by the Group Executive Committee before being submitted to the Board.

Short term	Mobilisation of pipeline	Due to the Group's strategic priority of 'Pivoting to high-growth markets,' the Group has placed additional emphasis on identifying, assessing, completing, and integrating new transaction targets to significantly boost growth in key markets. For more information, please refer to pages 19-20.
Medium term	Climate change	Similarly to the prior year, climate change is one of our most significant medium-term emerging risks. Primarily, this relates to the failure to adequately consider and respond to the physical and transition risks associated with climate change, including the impact on our units such as damage or closure, disruption to our supply chain, increased food security challenges and increased pressure of compliance with regulatory requirements. See pages 50-56 for more information on our consideration of climate risk, its potential impact on the business and its results.
Long term	Structural changes to the travel sector	Consistent with the prior year, from a long-term perspective, there may be structural changes to the travel sector driven by customer behaviour, such as an aversion to air travel due to its impact on the environment, increased remote working and greater road travel as adoption of electric vehicles increases. These also present opportunities, but otherwise could have a severe adverse impact on the business. Holiday destinations could vary dependent on the impact of climate change. See pages 52-54 for more information on how we are addressing these structural changes and mitigating action.

As above, all these risks are monitored and discussed at senior management level to consider appropriate mitigations.

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POL00448770

Remuneration – tool kit

POL00448770

Remuneration

Example 16, Strategically linked executive pay commentary

As executive pay should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's strategy, it is crucial to demonstrate this link through detailed explanations.

These best practice examples provide distinct 'integrated reporting' approaches. However, they share a commonality through explaining the link between their strategy, the measures/KPIs assessing delivery of strategy and executive remuneration.

Both cross-references this through strategic themes/business strategy linked to their KPIs in their remuneration reports. Both present effective strategically linked executive pay commentary and rationale through drawing clear lines from strategy to pay.

Network Rail AR 2022

National Dashboard for 2021/22

The dashboards align to four strategic themes. There are nine measures, carefully weighted to incentivise and reward success, whilst giving an appropriate weighting to important areas such as train service delivery and safety (which is measured through Train Accident Risk Reduction for passengers and Fatalities and Weighted Injuries for Workforce Safety).

The dashboard is shown in the table on the next page.

Strategic themes	Measure	Weighting	Target
Train service delivery	**On Time** The percentage of Recorded Station Stops called at on time (early or <1min late).	12.5%	79.7%
	Passenger Satisfaction Reported as a mean score of passenger journey satisfaction on a scale of 1-10 (1 poor – 10 excellent).	20.0%	7.74%
	Freight Delivery Metric (FDM) The percentage of commercial freight trains that arrive at planned destination within 15 minutes of scheduled time. Freight trains are only considered to have failed FDM where a delay is caused by Network Rail.	7.5%	95.2%
	Composite Reliability Index (CRI) A measure of the short-term condition and performance of our assets including track, signalling, points, electrification, telecoms, buildings, structures and earthworks. The index shows the total percentage improvement in asset reliability compared to the end of the previous Control Period.	5.0%	13.6%
Efficiencies	**Financial Performance Measure (FPM)** An assessment of how Network Rail has performed compared to the financial targets set out in the CP6 Business Plan. The measure is an aggregation of the three individual FPM measures from prior years (P&L, Renewals and Enhancements).	20.0%	£0m
	Enhancement Milestones The number of milestones completed ahead of time or on time, as a percentage of all milestones planned for delivery in the year.	10.0%	90.0%
People	**Employee Engagement** An index representing the proportion of employees surveyed who responded favourably to key questions on engagement.	5.0%	61.0%
Safety	**Workforce Fatalities and Weighted Injuries (FWI)** An index representing workforce safety, using fatalities and non-fatal injuries per hour worked. A lower FWI represents better performance.	10.0%	0.056
	Passenger Safety (TARR) Measures achievement of the key milestones and metrics to reduce train accident risk. TARR is made up of milestone targets and volume targets, both of which have different achievement weightings.	10.0%	95.0%

Regional dashboards include measures which match each region's responsibilities along with universal measures such as safety and financial performance. Local scorecards are still used to manage business performance at a local level, but they are not linked to PRP.

In addition, no payment will be made in respect of any performance measure which fails to exceed the minimum level of performance (worse than target threshold) and evidence of under reporting against safety would result in the outcome of the safety measures being reviewed and reducing performance accordingly, including potentially to zero.

One quarter (25 per cent) of PRP will be determined by an individual's performance rating. This provides a direct line of sight between the achievement of individual objectives and PRP. For executive directors and employees aligned to the national dashboard, the figure below demonstrates how individual PRP is calculated:

National dashboard (100%) } 3/4 Dashboard out-turn + 1/4 Individual performance = Individual performance-related pay

National Grid Plc AR 2022

Link to remuneration

Remuneration of our Executive Directors, and our employees, is aligned to successful delivery of our strategy. We use a number of our KPIs/alternative performance measures as specific measures in determining the Annual Performance Plan (APP) and Long-Term Performance Plan (LTPP) outcomes for Executive Directors. While not explicitly linked to APP and LTPP performance outcomes, the remaining KPIs' and wider business performance are considered. For further detail, please see our Directors' Remuneration Report, on pages 108 – 131.

Alignment of remuneration with our business strategy

We align our performance linked elements of remuneration (APP and LTPP) through our strategic priorities, our RBC commitments, and our vision of a clean, fair and affordable energy future.

Our vision and values

Our vision is to be at the heart of a clean, fair and affordable energy future.

Every day we do the right thing, find a better way, and make it happen.

Our strategic priorities

- Enable the energy transition for all
- Grow our organisational capability
- Deliver for customers efficiently
- Empower colleagues for great performance

Our RBC commitments

- The environment
- Our people
- Our communities
- The economy
- Our governance

Key principles of our remuneration strategy

- Reward delivery of the Group's strategy in a matter that is simple, transparent, and aligned to shareholders' interests
- Attract, motivate, and retain senior executives with market-competitive reward
- Align performance measures to the way National Grid earns its returns for shareholders, with targets set to incentivise stretching financial and operational performance in line with shareholder expectations
- Reflect and underpin the Company's vision, values, and contribution to society

How we achieve this in practice

- Alignment of APP and LTPP performance measures to core financial and non-financial KPIs
- Heavy weighting towards share-based long-term pay to reflect the nature and duration of National Grid's businesses and asset lives
- A mandatory two-year holding period for APP share awards and vested LTPP awards
- A very high minimum shareholding requirement for senior executives (500% for the CEO – equivalent to nine times the after-tax salary)
- A post-employment shareholding required for all senior executives

Our 2022 Remuneration Policies are aligned to our business strategy

Enable the energy transition for all	Deliver for customers efficiently	Grow our organisational capability	Empower colleagues for great performance
Addition of net zero measures in LTPP aligned to commitment set our in our RBC	Financial measures strongly aligned to incentivise operational excellence and long-term value creation	Increased flexibility to better adapt measures to align to critical priorities that underpin short/longer-term performance	Emphasis on Company culture and DEI in APP

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Remuneration

Example 17, Strategically linked executive pay commentary

This business-to consumer best practice example also demonstrates the importance of clear and thorough discussion in the remuneration report by the remuneration committee chair.

This is a particularly good approach to support visual only cross-referencing and signposting. Explaining the link in this way can also still be a valuable addition to the approaches outlined in the previous example, as part of 'integrated reporting.'

When considering the explanation, the more specific, ie referencing exact performance metrics/KPIs to the strategy and how it supports, the better.

Diageo Plc AR 2022

Alignment of incentives with strategy / global market competitiveness

Our ambition is to be one of the best performing, most trusted and respected consumer companies in the world. Our strategic priorities to drive the company forward are unchanged: sustain quality growth, embed everyday efficiency, invest smartly, promote positive drinking, champion inclusion and diversity and pioneer grain-to-glass sustainability.

The performance measures in the incentive plans align with the strategy and the key performance indicators on pages 32-34. The financial measures for the annual incentive focus on net sales growth, operating profit (both of which represent critical measures of growth for Diageo) and operating cash conversion (which recognises the criticality of strong cash performance and cash containment, particularly in the current challenging market conditions). The IBO component adds focus on key individual strategic and financial objectives.

The measures under the long-term incentive plans continue to reflect the company's strategic priorities and key drivers of long-term growth by incorporating organic net sales, organic profit before exceptional items and tax, free cash flow, TSR and key Environmental, Social and Governance (ESG) measures (greenhouse gas reduction, water efficiency, positive drinking and gender and ethnic diversity).

Global pay competitiveness is another key remuneration principle for the company. Attracting and retaining key talent is critical for our business and remuneration is an important aspect of being able to meet our talent objectives. As we operate in a global talent market, the Committee takes into account global pay practices, including the US market, when reviewing executive pay. Global pay competitiveness has been considered by the Committee in the context of a number of changes in the Executive Committee during the year.

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Remuneration

Example 18, Engagement with and alignment of executive pay and wider workforce conditions and pay

SSE has expanded the remit of their Remuneration Committee to include pay monitoring across the wider workforce, not just executive pay, with the aim of understanding and aligning pay practices across the organisation.

This example explains how the core elements of executive pay align with the wider workforce as well as how they consider the wider workforce, ie through meeting annually with SSE's recognised Trade Unions to help inform collective bargaining agreements in setting the maximum percentage pay increases that are available to top staff, ensuring this is set with reference to pay across the workforce.

This has now ensured consistency from the top to the bottom of the organisation.

SSE Plc AR 2022

Remuneration engagement across the Company

The Committee appreciates the importance of an appropriate relationship between the remuneration levels of the Executive Directors, senior executives, managers and other employees within the Company although comparison metrics are not used to determine pay policy. Remuneration at all levels in SSE is designed to support its remuneration principles, long-term business strategy and core purpose of providing the energy people need in a reliable and sustainable way. It is also designed to be consistent with and support the Company's core values of Safety, Service, Efficiency, Sustainability, Excellence and Teamwork. The structure of reward necessarily differs based on scope and responsibility of role, level of seniority and location.

The table in the At a Glance Section (page 182) illustrates how the core elements of executive pay align with the wider workforce.

In summary,

- The senior management population also participate in annual and long-term incentive arrangements. In line with Executive Directors' arrangements, incentives for senior management have an emphasis on share awards and the performance metrics support those used at Board level.
- All employees have the opportunity to be share owners through the Share Incentive Plan and the Sharesave Plan and those participating are able to express their views in the same way as other shareholders.
- Pension planning is an important part of SSE's reward strategy for all employees because it is consistent with the long-term goals and horizons of the business, an approach it has been practising for a number of years. The terms of the funded final salary pension schemes apply equally to all members.
- As part of its Employee Engagement Survey SSE invites all employees to provide a view on the benefits and pay that it provides.

The Remuneration Committee is responsible for the remuneration of SSE's most senior Executives and the Chair of the Board and reviews the remuneration arrangements for all employees across the Group.

The Chair of the Remuneration Committee meets at least annually with SSE's recognised Trade Unions to discuss SSE's position on executive remuneration. They met in May and discussed aspects of policy explained in this report. Feedback from this meeting was shared with the Remuneration Committee.

How Pay Links to Wider SSE Workforce

	Base Salary	Benefits	Pension	Short-Term Incentive	Long-Term Incentive
Executive Directors	Base salary is typically set with reference to the market and wider workforce considerations. Annual increases are typically in line with or less than the wider employee population.	A range of voluntary benefits in line with the wider workforce plus contractual car and private medical benefits.	All employees are a member of the SHEPS or SEPS defined benefit pension scheme, or the Pension+ defined contribution scheme unless they have opted or cashed out.	Annual Incentive Plan linked directly to business performance – 50% financial, 50% non-financial. 33% of the total award is deferred into shares for three years.	The Performance Share Plan is a share award with performance linked to strategic performance measures.
Group Executive Committee **Senior Management**			The arrangements are diverse and the employer cost typically ranges from 3% to 38% of salary when both defined contribution and defined benefits schemes are taken into account.	Annual Incentive Plan considering performance of the Group (directly linked to the above), the business area and the individual. 25% of the total award is deferred as shares for three years.	The Leadership Share Plan is also linked to strategic performance measures over the longer-term and those with direct impact on strategic output are eligible.
Wider Workforce	Base salary levels are subject to negotiation with recognised trade unions and/or are set in line with market requirements. Annual increases are subject to negotiation.	A range of voluntary benefits are available to all employees, such as a cycle to work scheme, a holiday purchase scheme, health benefits, and enhanced maternity, paternity and adoption leave.		Depending on role, a proportion of employees will participate in the Annual Incentive Plan (as above). 100% of the award is paid in cash.	All employees may participate in the Share Incentive Plan (SSE matches three shares for every three bought) and the Sharesave (SAYE) plan.

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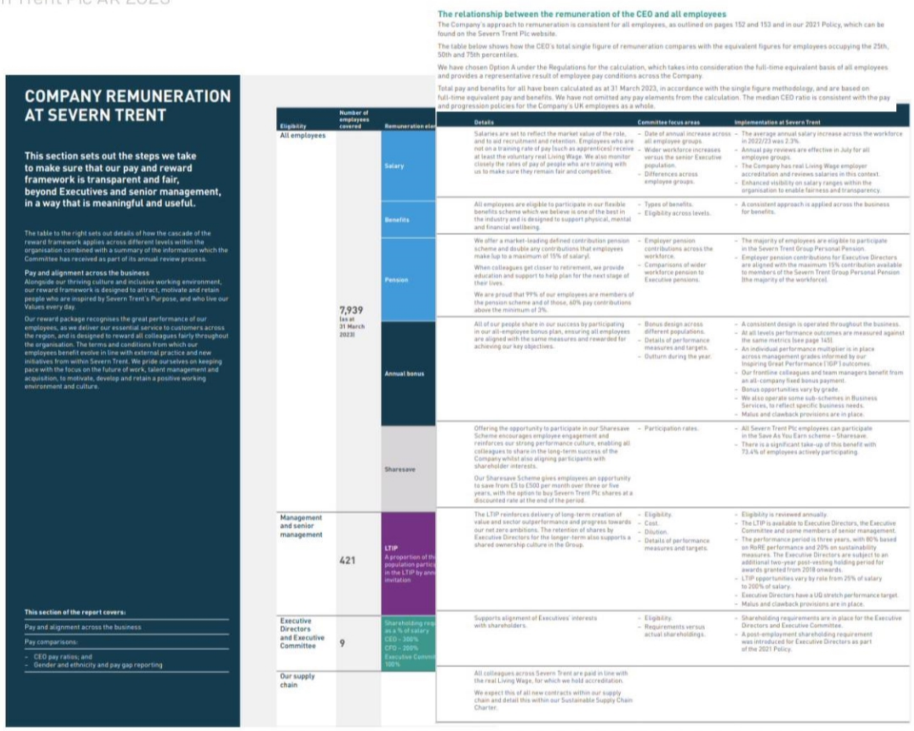
Remuneration

Example 19, Engagement with and alignment of executive pay and wider workforce conditions and pay

Severn Trent explains clearly how it sets executive pay to be aligned with wider workforce pay, including with reference to the workforce's own annual bonus opportunities being aligned and rewarded in the same way as the CEO's. This also helps the workforce understand how the CEO is being paid.

Additionally, as is best practice and while not added here, the Committee chair engages with the workforce through both an 'employee forum' and 'trade union forums' as well as the engaging their long-standing partnership with their unions in setting and aligning executive and wider workforce pay.

Severn Trent Plc AR 2023


COMPANY REMUNERATION AT SEVERN TRENT

This section sets out the steps we take to make sure that our pay and reward framework is transparent and fair, beyond Executives and senior management, in a way that is meaningful and useful.

The relationship between the remuneration of the CEO and all employees

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Commercial in Confidence

Remuneration

Example 20, Engagement with and alignment of executive pay and wider workforce conditions and pay

This example, similarly to the previous two, outlines and explains how pay is aligned but also provides additional details on how input is received in making this assessment and ensuring that pay is aligned.

It notes that various data sources are used, ie CEO pay ratio, gender pay gap and engagement outputs, as well as the Chief People Officer attending Committee meetings and Reward & Employee Benefits Forum meetings. This two-way engagement enables the Committee and the CPO to explain alignment as well as receive feedback on this, to be considered at the Committee.

This serves a two-way purpose of ensuring the wider workforce is treated transparently, while various data points that they input into, ie surveys are supplemented by their views to shape a fuller picture for Committee discussions.

Keir Group Plc AR 2023

Consideration of employment conditions elsewhere in the Group

Employees are not formally consulted on the Executive Directors' remuneration and were not consulted during the preparation of the remuneration policy set out above. However, the Committee Chair attends the Group's Reward and Employee Benefits Forum where a range of employee reward and benefits issues including the Executive Directors' remuneration arrangements, the role of the Committee and the Policy, and how they link with wider workforce pay and benefits within Kier are discussed – see page 128 for further information.

The Committee takes into account the pay and employment conditions of employees within the Group when making decisions on the Executive Directors' remuneration; for example, the Committee reviews the Group's latest gender pay gap information and, prior to setting the Executive Directors' remuneration, reviews detailed information relating to the workforce's remuneration. Please see page 122 for further information. With respect to bonuses, the Committee set targets directly aligned to the delivery of the Group's medium-term value creation plan, its strategy and promotion of its long-term sustainable success. Bonus targets also include a target on workforce safety and, when setting Executive Directors' personal targets, the Committee will consider the inclusion of objectives related to employee engagement and diversity and inclusion.

FY23 Workforce remuneration

	All Employees	Executive Directors
Salary	Pay review boundaries approved by Remuneration Committee	Increases typically in line with average awarded to the wider employee population
Bonus	800 employees eligible for a bonus Maximum opportunity: 80% of base salary FY23 Group targets: Profit, Cash Flow, Health & Safety	FY23 Maximum opportunity: 125% of base salary FY23 Group targets: Profit, Cash Flow, Health & Safety, Personal Objectives
Deferred Bonus shares	Executive Committee: 25% of net bonus deferred for 3 years	33% of net bonus deferred for 3 years
Long-Term Incentive Plan	Awarded to leadership and strategic managers Maximum award: 100% of base salary 3-year performance period Targets: Earnings Per Share, Shareholder Return, Cash Flow	Maximum award: 200% of base salary 3-year performance period, 2-year holding period Targets: Earnings Per Share, Shareholder Return, Cash Flow
Pension	7.5% matched employer pension contributions for majority of employees	7.5% employer pension contributions or cash allowance
Sharesave	Maximum contributions: £6,000 p.a. 3-year saving period	Maximum contributions: £6,000 p.a. 3-year saving period
Share Incentive Plan	Maximum contributions: £1,800 p.a. Group funded matching shares provided on 1:2 basis	Maximum contributions: £1,800 p.a. Group funded matching shares provided on 1:2 basis

Employee benefits

Providing employees with a range of employee benefits and support is critical to the Group attracting and retaining a diverse and motivated workforce. In addition, for FY23 there was a focus on providing new benefits to employees with an emphasis on assisting with cost of living pressures. The new benefits and enhanced policies introduced during the financial year included:

– All employees benefitted from an enhanced level of life assurance cover of 4x salary.
– C.2,500 employees received an increase in sick pay entitlement with statutory sick pay replaced with full pay for up to 20 days and half pay for a further 20 days.
– Over 1,000 employees received an enhancement to their annual leave entitlement and further phased uplifts are planned to ensure alignment across the Group.
– The Group is accredited as a Real Living Wage employer and c.850 employees received a pay increase in January 2023 when the RLW rate increased by 10.1%. Real Living Wage was also applied to contingent workers with effect from 1 July 2022 and subcontractors from 1 April 2023.

New benefits were made available to employees to assist with wellbeing and the cost of living pressures:

– access to loans through a specialist provider with a higher acceptance rate and lower interest rates than that of traditional lenders.
– spreading the cost of purchasing tech and white goods, and car repairs and maintenance, through repayments taken from salary.

Reward & Employee Benefits Forum (the 'Forum')

The Reward & Employee Benefits Forum has representatives from across the Group's UK business areas and the Group's inclusivity networks. It provides a platform to discuss a range of employee reward and benefits topics in the context of attracting, developing and retaining our people. The Forum has considered some of the key benefits available to employees including those that provide valuable savings on everyday family spend, mental and physical health focused support and Kier's pension scheme.

The Committee Chair and the Chief People Officer attend the meetings and the Forum recently discussed how the Executive Directors' remuneration arrangements are determined, the context and alignment with the pay and benefits of the wider workforce, the role of the Non-Executive Directors and the Remuneration Committee, and the 2023 Policy. The Chair updated the Committee on the outcome of the meeting and the feedback received.

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Appendix 6
List of interviews conducted

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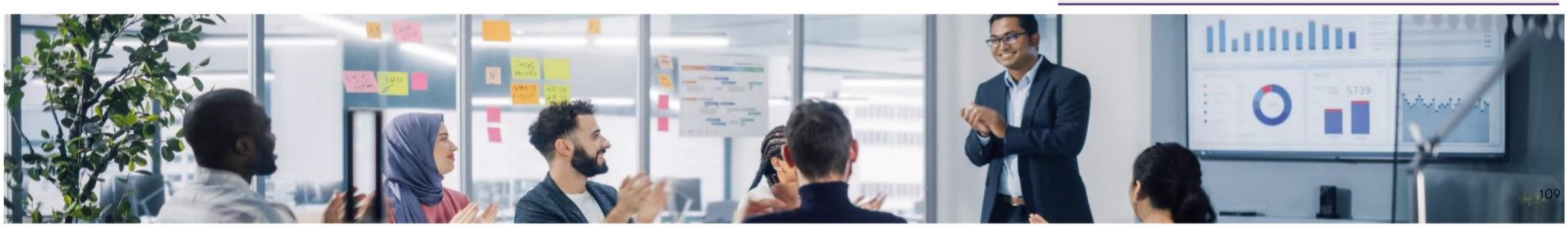
Appendix 6 – List of interviews conducted

Interviewees

Board	Role
Henry Staunton	Board Chair and Chair of the Nominations Committee
Ben Tidswell	Senior Independent Director and Chair of Historical Remediation Committee
Simon Jeffreys	Chair of Audit and Risk Committee
Amanda Burton	Chair of Remuneration Committee
Andrew Darfoor	Chair of the Investment Committee
Brian Gaunt	Non-Executive Director
Saf Ismail	Postmaster Non-Executive Director
Elliot Jabos	Postmaster Non-Executive Director
Lorna Gratton	Shareholder representative (UKGI), Non-Executive Director
Nick Read	Group Chief Executive Officer

Management	Role
Owen Woodley	Deputy Chief Executive Officer
Karen McEwan	Group Chief People Officer
Anshu Mathur	Group Assurance Director
Richard Taylor	Group Corporate Affairs, Communications and Brand Director
Tim McInnes	Strategy & Transformation Director
Simon Recaldin	Remediation Unit Director
Martin Edwards	Managing Director, Identity Services
Barbara Brannon	Product Portfolio Director for Lottery, Retail & Government Services

Management	Role
Rebecca Barker	Head of Risk
Rachel Scarrabelotti	Company Secretary
Ben Foat	Group General Counsel
Johann Appel	Head of Internal Audit
Chris Brocklesby	Chief Transformation Officer
Martin Roberts	Group Chief Retail Officer
Kathryn Sherratt	Interim Group Chief Finance Officer
Chrysanthy Pispinis	Chief of Staff
Ian Rudkin	Interim Group Rewards Director
Tracy Marshall	Retail Engagement Director
Simon Oldnall	IT Director GLO/Horizon



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Appendix 7
List of documents reviewed

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Appendix 7

List of documents reviewed

Governance Framework and Foundation documents

- Legally privileged – draft – POL Corporate Governance Framework PART 1 – 181022 RS.docx
- post-office-limited-shareholder-relationship-framework-part-1.pdf
- POL Framework Document (NRF draft 13 April).docx
- Redline – POL Framework Document (NRF and POL Comments)34 and POL Framework Document (NRF draft 13 April)22.pdf
- Funding Agreement – Signed.pdf
- 20221216 POL Articles Of Association Clean FINAL.pdf
- POL – Articles of Association – NRF comments 30 March 2023.docx
- Redline – 20221216 POL Articles Of Association and POL – Articles of Association – NRF comments 30 March 2023.pdf
- Investigations Governance Framework First Draft.docx
- Whistleblowing Governance Framework – Final Draft post CIU comments (002).docx
- 20210928 POL Board Current & Proposed Market Standard Unlimited Liabilities & Indemnities Position APPROVED FINAL (1).pdf
- Civil Recoveries Schedule of Documents and Timeline.docx
- 20230301 GE GE-1 Accountabilities Updated September 2023.pptx
- 20230301 GE GE-1 Accountabilities Updated September 2023 pdf – No redactions required.pdf

Governance committees' structures

- GF Graphic 202305.pptx
- PO Group Governance Structure Diagram WORKINGDOCUMENT 202309.pptx
- POL GE Subcommittees 20230907 FINAL.pptx
- Structurechart202305 updated.pdf

Board and board committees ToRs

- 20230329POL Remuneration Committee GOV Terms Of Reference APPROVED FINAL.docx
- POL Remuneration Committee ToR
- 20230907 POL Group Executive Terms of Reference Approved.docx
- POL Group Executive Terms of Reference
- 20230523 POL ARC GOV Terms Of Reference Updated Footnotes APPROVED FINAL.docx
- POL Audit, Risk and Compliance Committee ToR
- 20230523 POL Nominations Committee GOV Terms Of Reference Updated Footnotes APPROVED FINAL.docx
- POL Nominations Committee ToR
- POL Board Historical Remediation Committee Terms Of Reference v1 (1).docx
- POL Remediation Committee ToR
- POL Investment Committee ToR

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List of documents reviewed (continued)

Terms of reference for sub-committees and working groups

- 20230301 Data Governance Committee ToR FINAL.docx
- 20230907 POL Group Executive Terms of Reference Approved.docx
- 20230401 Health and Safety Sub Committee ToR FINAL.doc
- 20230401 Health and Safety Sub Committee ToR FINAL.pdf
- 20230302 Improvement Delivery Group 2 ToR FINAL.docx
- 202308 Investment Approvals and Delivery Group ToR FINAL.pdf
- 20230926 POL Investment Committee ToR FINAL.docx
- 20230906 POL Opex Committee ToR FINAL.docx
- 202306 Post Office Pension Plan Governance Group ToR FINAL.pdf
- POL RCC ToR Approved 20230906 by GE.docx
- 20221214 Property Committee ToR v6 FINAL.docx
- 20230802 Retail Committee Terms of Reference FINAL.docx
- 20220428 SPMP Steer Co ToR at Pages 21&22 FINAL.pptx
- 20221214 Technology Committee Schedule 1 to Terms of Reference FINAL.pptx
- 20221214 Technology Committee Terms of Reference FINAL.docx

Delegation of responsibilities

- 20230523 POL Board GOV Delegated Authorities Without References APPROVED FINAL.docx
- 20230523 POL Board GOV Matters Reserved – Updated Footnotes APPROVED FINAL.docx
- POI&PZBPL Spend Approvals Flow Chart 202305.pptx
- POL Spend Approvals Flow Chart 202305.pptx

Remuneration Committee papers and minutes

- POL Rem Co Agenda & Papers 20220927 FINAL.pdf
- POL Rem Co Agenda & Papers 20221206 FINAL.pdf
- POL Rem Co Agenda & Papers 20230301 FINAL.pdf
- POL Rem Co Agenda & Papers 20230502 FINAL.pdf
- POL Rem Co Agenda & Papers 20230511 FINAL Redacted.pdf
- POL Rem Co Agenda & Papers 20230703 FINAL Redacted.pdf
- POL Rem Co Agenda & Papers 20230926 FINAL Redacted.pdf
- 20231106 POL Rem Co Additional MIN Signed
- 20231128 POL Rem Co MIN v5 DRAFT
- 20231218 Rem Co Mins DRAFT to Rem Co
- 20220927 POL Rem Co MIN Signed.pdf
- 20221110 POL Rem Co Additional MIN Signed.pdf

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List of documents reviewed (continued)

- 20221206 POL Rem Co MIN Signed.pdf
- 20230124 POL Rem Co Additional MIN Signed.pdf
- 20230301 POL Rem Co MIN Signed.pdf
- 20230502 POL Rem Co Additional MIN Signed.pdf
- 20230511 POL Rem Co Additional MIN Signed.pdf
- 20230522 POL Rem Co TIS-Written Resolution SIGNED.pdf
- 20230703 POL Rem Co Additional MIN Signed Redacted.pdf
- 20230926 POL Rem Co MIN v5 Clean.docx
- Decisions via email

Nominations Committee papers and minutes

- POL Nom Co Agenda & Papers 20220927 FINAL.pdf
- POL Nom Co Agenda & Papers 20221206 FINAL.pdf
- POL Nom Co Agenda & Papers 20230309 FINAL.pdf
- POL Nom Co Agenda & Papers 20230606 FINAL.pdf
- POL Nom Co Agenda & Papers 20230926 FINAL.pdf
- 20230606 POL Nom Co MIN Signed.pdf
- 20230309 POL Nom Co MIN SIGNED
- 20221206 POL Nom Co MIN SIGNED
- 20220927 POL Nom Co MIN SIGNED
- 20230926 POL Nom Co MIN Signed
- 20231128 POL Nom Co MIN v5
- Decisions via email

Audit and Risk Committee papers and minutes

- POL ARC 20230724.pdf
- POL ARC 20231127.pdf
- POL ARC 20230516 Agenda & Papers - REDACTED 19.01.24.pdf
- POL ARC Agenda & Papers 20221205 FINAL - REDACTED 19.01.24.pdf
- POL ARC Agenda & Papers 20230123 FINAL - REDACTED 19.01.24.pdf
- POL ARC Agenda & Papers 20230328 FINAL - REDACTED 19.01.24.pdf
- POL ARC Agenda & Papers 20230925 FINAL - REDACTED 19.01.24.pdf
- POL ARC Agenda & Papers 20220926 FINAL - REDACTED 19.01.24.pdf
- POL ARC Agenda & Papers 20230621 FINAL (1).pdf
- POL ARC Agenda & Papers 20230710 FINAL - REDACTED 19.01.24.pdf
- 20221205 POL ARC MIN Signed.pdf
- 20230123 POL ARC MIN Signed.pdf
- 20230328 POL ARC MIN Signed Redacted.pdf
- 20230516 POL ARC MIN SIGNED.pdf
- 20230621 POL ARC MIN SIGNED.pdf
- 20230710 POL ARC MIN SIGNED (1).pdf
- 20230710 POL ARC MIN SIGNED.pdf
- 20230724 POL ARC MIN SIGNED (1).pdf

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List of documents reviewed (continued)

- 20230724 POL ARC MIN SIGNED.pdf
- 20230925 POL ARC MIN SIGNED.pdf
- 20231107 POL ARC MIN SIGNED.pdf
- Written Resolutions

Board Papers and minutes

- POL Board Agenda & Papers 20220927 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20221101 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20221206 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20230124 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20230309 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20230328 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20230524 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20230606 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20230711&12 FINAL!.pdf
- POL Board Agenda & Papers 20230711 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20230817 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20230926 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20230926 FINAL! Redacted.pdf

Group Executive meetings papers and minutes

- POL GE Agenda & Papers 20220914 FINAL Redacted1 Redacted.pdf
- POL GE Agenda & Papers 20221012 FINAL Redacted1 (1)Redacted v1.pdf
- POL GE Agenda & Papers 20221123 FINAL Redacted1 Redacted.pdf
- POL GE Agenda & Papers 20221214 FINAL Redacted1 Redacted.pdf
- POL GE Agenda & Papers 20230111 FINAL Redacted v1.pdf
- POL GE Agenda & Papers 20230222 FINAL Redacted.pdf
- POL GE Agenda & Papers 20230315 FINAL Redacted.pdf
- POL GE Agenda & Papers 20230419 FINAL Redacted.pdf
- POL GE Agenda & Papers 20230419 FINAL Redacted.pdf
- POL GE Agenda & Papers 20230628 FINAL Redacted.pdf
- POL GE Agenda & Papers 20230628 FINAL Redacted.pdf
- POL GE Agenda & Papers 20230913 FINAL Redacted.pdf
- POL GE Agenda & Papers 20231011 FINAL Redacted.pdf
- 20220914 POL GE MIN FINAL Redacted1.pdf
- 20221012 POL GE MIN FINAL Redacted1.pdf
- 20221123 POL GE MIN FINAL – No redactions required.pdf
- 20221214 POL GE MIN FINAL – No redactions required.pdf
- 20230111 POL GE MIN FINAL Redacted.pdf
- 20230222 POL GE MIN FINAL – No redactions required.pdf
- 20230315 POL GE MIN FINAL – No redactions required.pdf
- 20230419 POL GE MIN FINAL Redacted1.pdf
- 20230517 POL GE MIN FINAL – No redactions required.pdf

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List of documents reviewed (continued)

Board papers and minutes (continued)

- 01.02 20231128 POL Board MIN v1 REDACTED FOR UKGI
- 02.01 20231031POL Board MIN v3 REDACTED FOR UKGI
- 20220927 POL Board MIN Signed Redacted
- 20221101 POL Board MIN Signed Redacted
- 20221206 POL Board MIN Signed Redacted
- 20230124 POL Board MIN Signed Redacted
- 20230309 POL Board AdditionalMINSigned.pdf
- 20230524POLBoard Additional MIN Signed.pdf
- 20230606POLBoardMINSigned.pdf
- 20230711POL Board MINSigned.pdf
- 20230711POLBoardStrategyMINSigned.pdf
- 20230712POL Board Strategy MIN Signed.pdf
- 20230817POLBoard Additional MIN SignedRedacted.pdf
- 20230926 POL Board MIN Signed.pdf
- 01.0220231128 POL Board MIN v1 REDACTED FOR UKGI
- Written Resolutions

Strategy and supporting business plans

- Minister Hollinrake letter to POL Chair 29.06.2023.pdf
- OS COMMERCIAL Sarah Munby to Henry Staunton Strategic Priorities 2022.pdf
- part-and-parcel-the-econmic-and-social-value-of-post-office – London Economic Report.pdf
- Purpose and vision for GT – Strategy.pptx

Skills Assessment

- NED Committee Membership Skills Matrix 20230821 v2.docx

Past/Ongoing Reviews

- 07.00 POL Board Ethos Programme 20230926 FINAL.docx
- App 9 Post Office Limited Internal Audit EQA – Final Report 06.05.22.pdf
- 11.01.00 POL Board Annual Governance Report 20230328 FINAL (2).docx
- amanda-burton-report-review-of-the-transformation-incentive-scheme.pdf
- 11.01.00 POL Board Annual Governance Report 20230328 FINAL (2).docx
- 2022 EDI Survey Results and Insights v0.04 for publishing – PDF.pdf
- ARC Committee Evaluation Report 2022-23.docx
- POL Board Evaluation Report 2022-23.docx
- Nom Co Evaluation Report 2022-23.docx
- Rem Co Committee Evaluation Report 2022-23.docx
- Legally privileged confidential – Phase 7 narratives – 081222 – draft.docx
- App 9 Post Office Limited Internal Audit EQA - Final Report 06.05.22.pdf
- Remediation Committee (FKA Historical Remediation Committee)
- 07.00 POL Board Ethos Programme 20230926 FINAL.doc
- review-of-the-governance-relevant-to-post-office-limiteds-senior-executive-remuneration.pdf
- 280923 – SS and A Burton Report Recommendations Plan September 2023.pdf

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documents reviewed (continued)

Terms of reference for sub-committees and working groups

- 20230301 Data Governance Committee ToR FINAL.docx
- 20230907 POL Group Executive Terms of Reference Approved.docx
- 20230401 Health and Safety Sub Committee ToR FINAL.doc
- 20230401 Health and Safety Sub Committee ToR FINAL.pdf
- 20230302 Improvement Delivery Group 2 ToR FINAL.docx
- 202308 Investment Approvals and Delivery Group ToR FINAL.pdf
- 20230926 POL Investment Committee ToR FINAL.docx
- 20230906 POL Opex Committee ToR FINAL.docx
- 202306 Post Office Pension Plan Governance Group ToR FINAL.pdf
- POL RCC ToR Approved 20230906 by GE.docx
- 20221214 Property Committee ToR v6 FINAL.docx
- 20230802 Retail Committee Terms of Reference FINAL.docx
- 20220428 SPMP SteerCo ToR at Pages 21&22 FINAL.pptx
- 20221214 Technology Committee Schedule 1 to Terms of Reference FINAL.pptx
- 20221214 Technology Committee Terms of Reference FINAL.docx

Risk management

- 20221031 Group Risk Management Policy v1.4.pdf
- 20221031-Risk-Management-Policy-Guidelines-v1.0.pdf
- 2022-Technology-Risk-Appetite-Statements-and-Tolerance-levels.pdf
- 20230216-SNOW-Risk-Management---Quick-Reference-Guide v1.0.pdf
- 20230216-SNOW-Risk-Management-User-Guide v1.0.pdf

Previous Board effectiveness reviews

- 15 BoardandCommitteeEvaluationReport201920 POL Board 20200408 final (1)
- 11.01 POL Board Board and Committee Evaluation - Progress 2021-22 20230124 FINAL.docx
- 13.02 POL Board Board and Committee Evaluation Report 2021-22 20220329 FINAL.docx
- 13.01 POL Board Board Evaluation Report 2022-23 20230606 FINAL.docx
- 08.01 POL Board Independent Audit Board Review 20210330.pdf
- POL Board Evaluation Report 2022-23.docx
- CONFIDENTIAL AND PRIVILEGED – 20230727 -POH – DRAFT BSFf Ongoing POL Governance Review – AB Reviewed for confidential informatio.docx

Role profiles

- 05_ POL Board Members & Executives.docx

Registers of attendance at board and committee meetings

- POL Register of Attendance 2022-23.xlsx
- POL Register of Attendance 2023-24 .xlsx

Board induction

- Board induction materials and succession plans

Conflict of interest

- Conflicts of Interest Policy March 23.pdf
- PO Group Register OfInterest Current (POL Only).xlsx

Assurance framework

- POL ARC POL Control Framework 20220926 FINAL AM DO NOT EDIT.docx
- Integrated Assurance GE Submission 5 July 2023.docx

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List of documents reviewed (continued)

- 20230322Policy-Exception-Note--PEN--FormFinalv1.0.docx
- 20231010Policy-Exception-ProcessHow-To-Guidev1.0.pdf
- 2023-Commercial-Risk-Appetite-Statements-and-Tolerance-Levels.pdf
- 2023-Governance-Risk-Appetite-Statements-and-Tolerance-Levels.pdf
- 2023-People-Risk-Appetite-Statements-and-Tolerancev1.pdf
- PO Harm Table Ver Mar 22 FINAL.pdf
- central risk team slide pack
- 20231206 PO Enterprise and Intermediate Risks and Mitigations.xlsx

Internal Audit Charter and Plans

- 07.05.00POLARCInternal Audit Update Appendix 120220926FINAL.pdf
- Appendix 1 FY23 IA Plan Refresh Sept 22.pdf
- Appendix 1 FY24 IA Plan.pdf
- IA Report ARC Dec22.pdf
- IA Report ARC Jan23.pdf
- IA Report ARC Mar23 - Final.pdf
- Internal Audit Charter V0.2 May 23.pdf
- July ARC IA Update v1.pdf
- POLARCInternalAuditUpdate20220329 (002).pdf
- POLARCInternalAuditUpdate2022
- Internal Audit and Risk Divisional Structure.pptx

External Audit management letter

- POL Management Representation Letter FY2021-22SIGNED.pdf

Corporate governance policies and procedures

- 2022- 2023 Modern Slavery Statement - Approved.pdf
- 20221031 Group Risk Management Policyv1.4.pdf
- 2023 Contract Execution PolicyCLEAN.docx
- ABC Policy v8.0 July 2023.pdf
- AML CTF Policy v10.0 July 2023.pdf
- Business Change Management Policy v2.4 2023.pdf
- Business Continuity Management Policy (002).pdf
- Conflicts of Interest Policy March 23.pdf
- Cyber and Information Security Policy 3.1 2023.pdf
- Document Retention and Disposal Policy v2.0 Clean.pdf
- Financial Crime Policy v8.0 July 2023.pdf
- FOIEIR Policy v3.1 2023.pdf
- Group Legal Policy .pdf
- Health and Safety Policy V8. 2023.pdf
- HMRC Fit and Proper Policy Standard v5.0.pdf
- Law enforcement policy v1.0 Sept 21.pdf
- Our Code of Business Conduct.pdf
- Physical Security Policy v3.0.pdf
- Remuneration Policy for the Executive Directors.msg
- POL Pay Directive 07 2023 Senior Managers.pdf
- POL Pay Directive 06 2023 Middle ManagersFinal.pdf
- POL Pay Directive 04 2023 CWU Grades Final v2.pdf

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List of documents reviewed (continued)

- PO Group Contract Execution Policy Quick Reference Guide August 2023 CLEAN.docx
- PP1 Procurement Policy V24.6.pdf
- Protecting Personal Data Policy v4.1 2023.pdf
- Speak Up Policy v.8 May 2023.pdf
- Treasury Policy V0.2 2023.pdf
- Treasury Policy DA Matrix August 2023.pdf
- Vulnerable Customer Policy V3.3 Sept 22.pdf
- First Draft HM Governance Paper Incomplete work product (as sent to POL on 3 April 2023(79793441.1).docx

Postmaster Policies

- Guide to the postmaster support policies v3.0.pdf
- Network Cash and Stock Management Policy V3.1.pdf
- Network Monitoring and Branch Assurance Support Policy V3.2.pdf
- Network Transaction Corrections Policy V3.2.pdf
- Postmaster Account Support Policy V3.2.pdf
- Postmaster Accounting Dispute Resolution Policy V3.2.pdf
- Postmaster Complaint Handling Policy V3.2.pdf
- Postmaster Contract Performance Policy V5.0.pdf
- Postmaster Contract Suspension Policy V5.0.pdf
- Postmaster Contract Termination Decision Review Policy V3.0.pdf
- Postmaster Contract Termination Policy V5.0.pdf
- Postmaster Decision Review Policy V2.2.pdf
- Postmaster Onboarding Policy V3.1.pdf
- Postmaster Training Policy V3.1.pdf

Culture documentation

- Culture strategy.pptx
- PO-Ways Of Working new text_ red.png
- PO-WaysofWorking-CommitmentCardsA5.pdf
- Ways of working image.jpg

Stakeholder list

- Communications Master Stakeholder List.xlsx

Board rolling agenda and governance map

- 00 POL Board Agenda 20240130 v7 FINAL
- POL Board Governance Map DRAFT.xlxs

Improvement delivery

- FINAL DRAFT – Guide to IDG improvement tracking- 190722.docx
- IDG Dashboard – Progress Report October 2023 v1.1.pptx
- CIJ4 Shortfalls – Storyboard v1.0 (002).pptx
- Draft – Governance framework – Horizon and IT business area v2 120822.docx

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Appendix 8
Glossary

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Glossary

Abbreviations	Full version
POL, the Company	Post Office Limited
POI	Post Office Insurance
FRESH	First Rate Exchange Services Holdings Limited
FRES	First Rate Exchange Services Limited
DBT, the Shareholder	Secretary of State for Business and Trade
The Code	UK Corporate Governance Code 2018
The Government Code	Central Government Code 2011
Foundational governance documents	The Articles of Association, the ShareholderFramework Document and the Funding Agreement
HMG	His Majesty's Government
UKGI, the ShareholderRepresentative	UK Government Investments Ltd
The Inquiry	Post Office Horizon IT Inquiry
The Review Reports	Amanda Burton and Simmons & Simmons reports and recommendations
AR	Appointed Representative
RACI	Responsible, Accountable, Consulted and Informed model/matrix
ToR	Terms of Reference
DoA	Delegation of Authority
FOI	Freedom of Information
MI	Management Information
L&D	Learning & Development
LTIP	Long-Term Incentive Plan

Abbreviations	Full version
NED/INED	Non-Executive Director/Independent Non -Executive Director
SID	Senior Independent Director
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPO	Chief People Officer
CIO	Chief Information Officer
COO	Chief Operations Officer
CRO	Chief Risk Officer
CTO	Chief Technology Officer
GE	Group Executive
SEG	Senior Executive Group
SLG	Senior Leadership Group
ARC	Audit and Risk and Compliance Committee
Rem Co	Remuneration Committee
Nom Co	Nomination Committee
Sub Co	GE Subcommittees including Risk & Compliance Committee (RCC), Investment Approvals & Delivery Group (IADG), Retail Committee, Improvement Delivery Group (IDG), and Health & Safety Board (HSB)
FY	Financial Year

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