



Group Executive Agenda

Date:	Wednesday 11 September 2019	Time:	09.30 – 15.30 hrs	Location:	1.19 Wakefield
Present:					
<ul style="list-style-type: none"> • Alisdair Cameron (Chair) • Mark Davies • Shikha Hornsey • Mo Kang • Debbie Smith • Owen Woodley <p>Apologies were received from Ben Foat, General Counsel</p> <p>Other Attendees:</p> <ul style="list-style-type: none"> • David Parry (Senior Assistant Company Secretary) (AM) • Veronica Branton (Company Secretary) (PM) • Kathryn Sherratt (Finance Director) <p>Other attendees, as shown against agenda items</p>					
Agenda Item		Action Needed	Lead	Timings	
1.	RM Negotiations ¹	Approval for Board	Debbie Smith/ Mark Siviter	09.30 – 09.45 hrs	
2.	Group Litigation Order (including mediation issues)	Approval for Board	Rod Williams	09.45 – 10.15 hrs	
3.	Starling (Employment rights case)	Approval for Board	Sherrill Taggart/ Laurence O'Neill	10.15 – 10.45 hrs	
4.	FST&I and Retail Quarterly Reports	Approval for Board	Owen Woodley/ Colin Stuart/ Emma Springham/ Ed Dutton/ Chrysanthy Pispinis/ Debbie Smith/ Charlotte Bedwell	10.45 – 11.30 hrs	
Break				11.30 – 11.45 hrs	
5.	Network i) Services of General Economic Interest (SGEI) Compliance ii) Network Report	Approval for Board	Debbie Smith/ Tracy Marshall	11.45 – 12.15 hrs	
6.	Health and Safety Report, including violence and robberies report	Approval for Board	Mo Kang/ Martin Hopcroft	12.15 – 12.45 hrs	
7.	Legal Enterprise Optimisation (Articles of Association and Framework Agreement)	Approval for Board	Sherrill Taggart	12.45 – 13.15 hrs	
Lunch				13.15 – 13.45 hrs	
8.	SME across the Post Office	Discussion	Owen Woodley/ Barry Morse	13.45 – 14.15 hrs	

¹ Financial performance and the quarterly change report will be considered at the GE meeting on Monday 16th September 2019.

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Group Executive Agenda

9.	Transactional Banking	Discussion	Owen Woodley/ Chrysanthy Pispinis	14.15 – 14.45 hrs
10.	Preparation for delivering the British Gas Contract	Discussion	Debbie Smith/ Andrew Goddard	14.45 – 15.15 hrs
11.	Disaster Recovery test: lessons learnt	Discussion	Shikha Hornsey/ Ben Cooke	15.15 – 15.25 hrs
12.	Contract for employee travel services	Approval for Board (contract over £5m)		15.25 – 15.30 hrs
13.	Review of GE Action Points and Updates	Approval	Veronica Branton	
14.	Items for Noting 14.1 Forward Agenda	Noting	All	
15.	Any other Business	Noting	All	
16.	Date of next meeting: 16 October 2019	Noting		

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Royal Mail (RM) MDA Negotiations

Author: Mark Siviter

Sponsor: Debbie Smith

Meeting Date: 11 September 2019

Executive Summary

Context

In early July both parties had fully played out their opening positions, [REDACTED] from RM and an aspiration to [REDACTED] versus Post Offices' aspiration to [REDACTED]. We have now reached a point in the negotiations where RM

IRRELEVANT

Questions addressed in this report

1. What has changed since the last update on progress?
2. What is the available shape of a possible deal?
3. What are our recommended next steps?

Conclusion

1. RM have signalled a compromise from a [REDACTED]. They have also signalled a [REDACTED]. [REDACTED]
2. An agreement that includes the following key elements; [REDACTED] with [REDACTED]
3. We are seeking permission from the Board to move to negotiate detailed terms with three specific asks; (1) [REDACTED] (2) Negotiate within the limits of our stated minimum requirements for a deal, set out in May Board paper which in turn supports our Mails strategy; (3) To roll over the current MDA broadly [REDACTED]

Input Sought

Board approval to negotiate detailed terms within the defined parameters, [REDACTED]

Input Received

1. Mails Strategy SteerCo
2. Group Executive

2. What is the available shape of a possible deal?

The available shape of deal set out below we believe delivers on the minimum requirements of a deal set out in the May Board Paper;

1. A [IRRELEVANT] with [IRRELEVANT] in Click and Collect and returns
2. The right to sell RM products online on PO website
3. Any new agreement to contain a level of [IRRELEVANT]
4. The overall [IRRELEVANT]

Topic	Available shape of a possible deal
Term	IRRELEVANT
Online	Right to sell RM products online on Post Office website
IRRELEVANT	
Agents' pay	Increased transparency / alignment
Ways of working	Something new required (tbc, including streamlining of change control process)

3. What are our recommended next steps?

(1) To deliver a [IRRELEVANT] to meet RM’s aspirations;

(2) Negotiate within the limits of our stated minimum requirements for a deal, set out in May Board paper which in turn supports our Mails strategy;

Minimum requirements (May Board)	In Support of Mails Strategy
<ul style="list-style-type: none"> A [IRRELEVANT] in Click and Collect and returns 	<ul style="list-style-type: none"> Deliver on “better together” with RM strategy Meet Board aspirations to secure [IRRELEVANT] deal Provide [IRRELEVANT] in event of [IRRELEVANT] and/or change to RM [IRRELEVANT]
<ul style="list-style-type: none"> The right to sell RM products online on PO website 	<ul style="list-style-type: none"> Provide customer choice Avoid the identified online customer disintermediation threat
<ul style="list-style-type: none"> Any new agreement to contain a level of [IRRELEVANT] 	<ul style="list-style-type: none"> Maintaining a level of [IRRELEVANT] [IRRELEVANT] [IRRELEVANT] to deliver RM products and services
<ul style="list-style-type: none"> The overall [IRRELEVANT] IRRELEVANT 	<ul style="list-style-type: none"> Protect Post Office [IRRELEVANT]

(3) To roll over the current MDA broadly [IRRELEVANT] thereby maintaining the [IRRELEVANT] [IRRELEVANT] to deliver on the short term aspiration of building our online channel.

Appendix 1. Risks and Mitigations

RISKS	MITIGATIONS
<p>Reaching a deal within the renegotiation window set out in the MDA - IRRELEVANT</p> <p>IRRELEVANT</p> <p>entering into an agreement representing the MDA before then.</p>	<p>IRRELEVANT</p>
<p>Unintended consequences of signing up to a IRRELEVANT - A number of potential risks exist IRRELEVANT examples including structural decline in letters, changes to postal regulation, increased competition, uncertainty over future funding of Post Office, Brexit, and a change of Government.</p>	<p>All these risks have been considered and some mitigations are already in place, however for certain risks outside of our control it is difficult at this time to be clear about the potential implications e.g. Brexit or to be able to offer mitigations for those risks.</p> <p>However in support of any proposed deal that we take to the Board for ratification we will provide a detailed supporting paper that will set out in detail all the risks and available mitigations associated with signing up to a IRRELEVANT together with clear explanation as to why we are still recommending a IRRELEVANT</p>

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Group Litigation Update

Author: Ben Foat/Rodric Williams

Sponsor: Ben Foat

Meeting date: 24 September 2019

Executive Summary

Context

We are currently awaiting the High Court's judgment on the Horizon Issues Trial. We expect to receive this any time between mid-September and late October 2019.

There will be a hearing in the Court of Appeal on 9 October 2019 to determine Post Office's application for permission to appeal the Common Issues Judgment. The Court of Appeal's judgment on this will follow shortly after the hearing.

Assuming these judgments are received within this timeframe, mediation to explore settlement with the Claimant Group is likely to take place in mid-November 2019.

In accordance with the legal strategy set out in the July Board paper, this report sets out the potential financial ranges of a settlement and the approvals which may be required, so that Post Office's representatives have delegated authority to settle in accordance with the Board's instructions.

Questions addressed in this report

1. What is the update on the contingency planning?
2. What are the preparations for settlement and mediation?
 - a. What are the potential financial ranges of settlement?
 - b. What level of authority should Post Office have for mediation?
 - c. What formal approvals will be required?
 - d. What is the proposed strategy for mediation and do we have the right resource to manage the mediation?
 - e. If the litigation is settled, how could Post Office treat claims from postmasters who are not claimants?
3. What are the next steps?

NOTE: This paper is based on the privileged and confidential legal advice prepared for Post Office Limited by Herbert Smith Freehills LLP (HSF) (attached in full at **Appendix 5**). That advice will be updated following receipt of the Horizon Issues and appeal decisions given the material impact they could have on Post Office's position.

Conclusion

As matters currently stand:

1. A detailed Contingency Plan is now in place with a Rapid Response Team stood up to manage the execution of this plan. The 'detection' and 'response' processes which

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the plan is reliant upon are now being finalised, baselined and stress tested to understand what level of uplift against baseline levels these processes and the business can withstand.

2. A reasonable outcome would be to settle with the Claimant Group (excluding those who have been criminally convicted) within a range of **£45m - £65m**.
3. For strategic reasons, Post Office should enter mediation with settlement authority of **£40m - £45m**, with a process for obtaining authority above that range during mediation if that would facilitate settlement at an acceptable level.
4. There is a real prospect that settlement will not be available at an acceptable level at the first mediation. Unrealistic expectations from the Claimant Group can however be managed strategically to help achieve a deal further down the line.
5. There is merit in developing an alternative approach for dealing with the 61 convicted Claimants. They have therefore been removed from the settlement calculations.
6. A reactive rather than proactive remediation-style approach can be taken to claims from non-Claimant SPMs.
7. In addition to preparing for mediation, the 9 October 2019 Court of Appeal hearing on the Common Issues Judgment, and for receipt of the Horizon Issues judgment, and we are continuing pre-trial preparations for the third, "Further Issues" trial scheduled to commence in March 2020 to address the legal basis for the Claimants' claims for financial compensation.

Input Sought

1. The Board is asked to approve the approach outlined in this paper.
The Board will be asked to consider (and if appropriate approve) final settlement numbers by way of an updated paper closer to the mediation date.

Input Received

2. Our internal and external (HSF) legal teams have approved this paper.

The Board is asked to exercise caution when communicating about potential levels of settlement. The Court of Appeal recently held that written communications (emails) between Board members concerning settlement of a dispute were not privileged from disclosure (*West Ham v E20 Stadium LLP* [2018] EWCA Civ 2652). Post Office would be materially disadvantaged if settlement numbers or strategy were to be disclosed to the Claimant Group. **Communications about settlement should therefore only be held orally, but if that is not possible, advice should be sought from Post Office's lawyers.**

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Contingency Planning

Since May we have been working with the risk advisory arm of Deloitte, which has relevant experience in crisis preparedness and response work, to prepare an effective immediate and short-term response to the judgment on the Horizon Issues trial. For planning purposes, we assumed the judgment would be delivered on 16 September 2019 (“Day One”) and that irrespective of the case presented at trial, it will be as harmful to Post Office as the Common Issues Judgment handed down in March 2019.

Through a series of workshops we identified the operational, commercial and reputational risks which could crystallise on an adverse judgment.¹ A response plan was then built around a core response playbook which includes the key messaging, materials and briefings to be used ahead of and in response to the judgment.

Where possible, mitigation actions are taking place ahead of Day One, e.g. through the identification of high risk branches and removal of excess cash in the network. The response plan also addresses anticipated actions from Day One, e.g. surge resourcing our call centres and the creation of new processes to monitor and manage branch closures, re-distribute cash and stock accordingly, and respond to any reducing levels of compliance by agents.

A Rapid Response Team (RRT) has been established to execute and manage Post Office and stakeholder response to the judgment. It will act as the central hub of information and is charged with coordinating business impact data and relaying this to the organisation, by the hour, with escalation points into the GE as / if required.

Ultimately, the response from Day One will be determined by what the Judgment actually says, and how our stakeholders (government, corporate clients, retail partners, customers, postmasters, employees etc) react to it. Central to this will be ‘isolating’ the findings to the issues actually tried and ruled upon.

The focus now therefore, in addition to tracking discharge of actions by the business, is establishing the MI required to determine and respond at pace to the impacts / risks which actually crystallise and to ‘stress test’ both the established and new processes to understand what uplift in calls, lack of compliance or refusals to open branches we can sustain, and over what period of time.

Mediation and Settlement

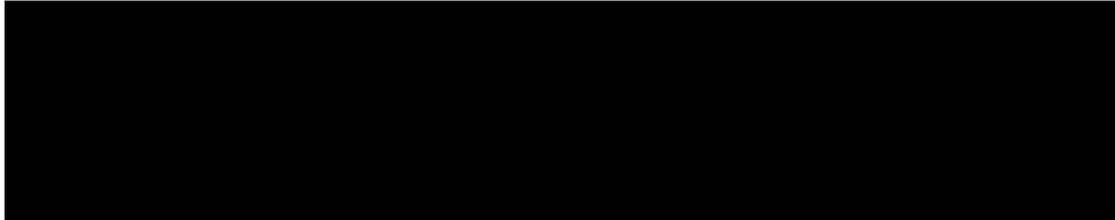
Potential Settlement Range

HSF’s settlement range of **£45m - £65m** has been derived from a qualitative and quantitative analysis of the Claimant Group’s claims, and reflects:

¹ The most significant of these are: wide-spread, coordinated branch closures across the network; increased non-compliance with branch cash declarations; adverse impact on trading relationships with commercial partners; loss of stakeholder trust in Post Office.

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The key figures underpinning HSF's analysis are set out in the table at **Appendix 1**. The factors behind the analysis are summarised below.

Total claim value

There are currently 555 Claimants. The Claimants' quantified claims as stated in the "Statements of Information" filed in the litigation now total £205.6m.



Three categories of Claimant can however be excluded:

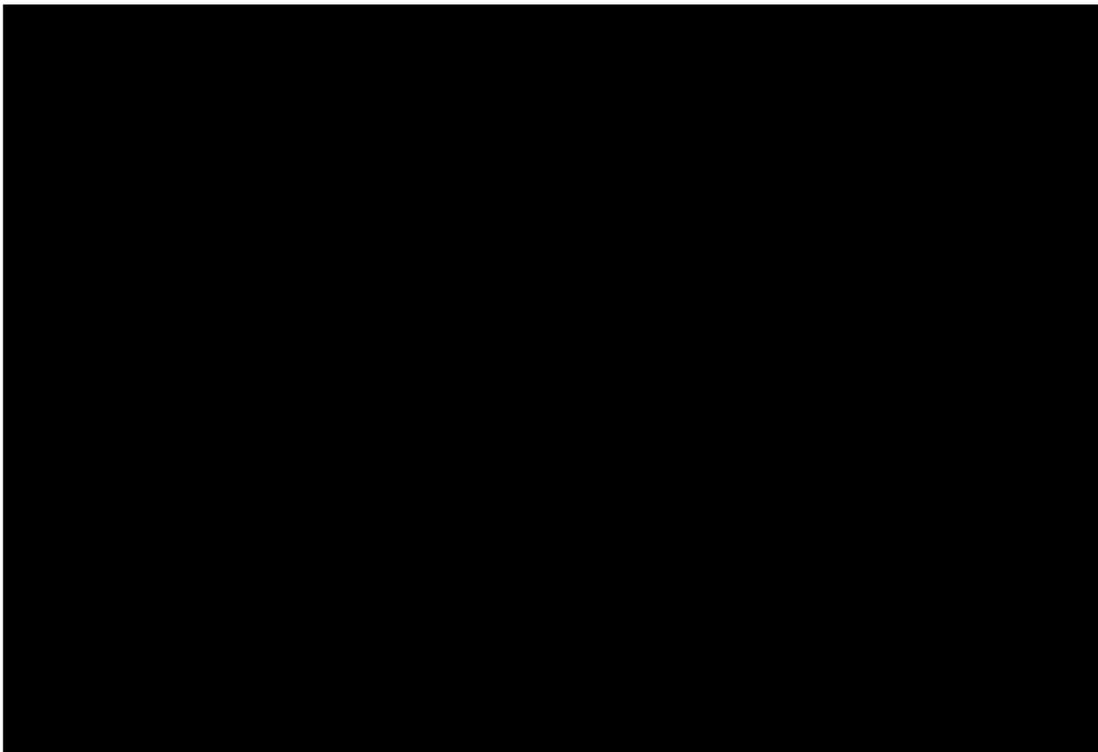


Potential Quantum / Recoverability



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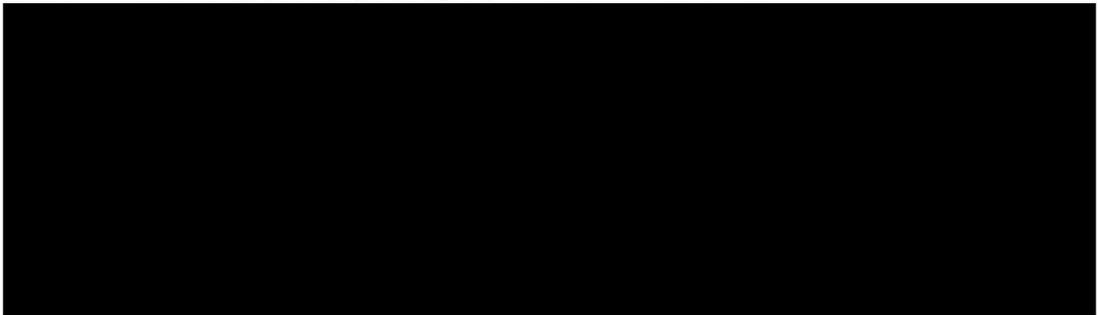


Impact of the Claimants' Funding Arrangements

The Claimant Group's settlement expectations are unlikely to be driven by strict legal analysis. We anticipate they will want their full funding costs (typically calculated as a multiple of costs invested), and for each Claimant to receive a meaningful recovery.

Legal Privilege

Factors which may justify paying a premium for settlement



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Settlement authority for mediation

Under its current Articles of Association,² Post Office requires shareholder approval to enter into a transaction which involves making a payment or incurring a liability in excess of £50m, or borrowing in excess of £75m. Extracts from the relevant sections of the Articles are set out in **Appendix 3**.

Shareholder approval is required to approve the terms of any settlement which involves a commitment to pay over £50m, irrespective of how the settlement is financed. The shareholder advises us that it will in turn require approval from HM Treasury for any such settlement.

Whether Post Office would need shareholder approval to fund a settlement (at any level) will depend on whether Post Office can do so without incurring new borrowings:

- If Post Office could fund a settlement by utilising its existing facilities, principally the headroom under Post Office's £950m working capital facility, no borrowing approval would be required. (There is also a £50m short-term committed facility provided by BEIS - presently undrawn - which could potentially be used to bridge into other financing but use of this facility for the purpose of funding a settlement would need to be explored further.)
- Whether Post Office can access sufficient funding from its existing facilities will need to be judged at the time. In its budgeted figures, Post Office projected the security headroom under its working capital facility (the true constraining factor) to be £149m at the end of P7. This improves slightly through to the end of the year but does not go above £200m.
- If Post Office needs new borrowings to fund a settlement (at any level), shareholder approval would be required under Article 11.1(S)(a)(iii). Any such borrowings would likely take the form of a market-rate loan from BEIS. As such, in addition to the approval required under the Articles, time would need to be factored in for putting any such facility in place.

The formal approvals process prescribed by the Articles requires the hand delivery of a written notice containing sufficient information for the shareholder to evaluate the matter being proposed (Article 11.2). That process can be streamlined if the special shareholder gives written consent.

We therefore propose agreeing with the shareholder a process by which (a) the shareholder would be briefed on potential settlement ranges to enable it to give any

² *New Articles are being considered but appear unlikely to be finalised by November 2019.*

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necessary approvals in short order; and (b) to allow approvals in connection with settlement to be sought and given less formally via email.

HSF advise

[Redacted]

HSF therefore recommend

[Redacted]

Settlement strategy

Given that the Claimants' are likely to have an inflated view of the claim, the settlement negotiations must be approached strategically. Post Office will need to take a firm but highly credible position in the early stages if it is not to be driven to negotiate at unmanageable levels. Key to this will be the following:

- [Redacted]
- [Redacted]
- [Redacted]

The parties agreed in late January 2019 that Charles Flint QC will act as mediator. He was selected from a short list of recognised top-tier commercial mediators, having regard to the technical skills, energy and assertiveness likely to be required to resolve

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this complex dispute.³ Our recommendations for who should attend mediation on behalf of Post Office, and why, will be discussed with the Board sub-committee prior to the Board’s October 2019 meeting.

In view of the anticipated size of the Claimant Group's funding commitments and the levels of success they have enjoyed to date, there is a very real prospect that settlement at an acceptable level will not be possible at the November mediation.

If the November mediation is unsuccessful:

- we expect the mediator to continue liaising with the parties to try to achieve a settlement further down the line. Post Office's litigation strategy should

[Redacted]

- [Redacted]

Strategy for Convicted Claimants

A potential stumbling block at mediation will be the convicted Claimants. Given the sensitivity surrounding this cohort, seeking to "exclude" them, even on valid legal grounds, is bound to attract criticism and could frustrate the mediation process.

A better approach would entail convicted Claimants first pursuing their criminal law remedies to overturn their convictions (through the Criminal Cases Review Commission and/or criminal appeals courts) before they can enter the civil compensation process, while still enabling Post Office to offer "something" in the context of a mediation.

Depending on the content of the Horizon Issues judgment and subject to specialist criminal law advice, [Redacted]:

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

³Mediation is a consensual and confidential process. Either party can therefore end a mediator’s appointment at any time (e.g. if they lose confidence in him/her), with the consequences typically confined to the costs incurred while they acted as mediator.

⁴ Part 36 offers take their name from the section of the Court’s Civil Procedure Rules which deals with this type of settlement offer.

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- [REDACTED]
- [REDACTED]

[REDACTED]

HSF nevertheless recommend [REDACTED]

[REDACTED]

Strategy for SPMs who are not Group Litigation Claimants

HSF recommend that [REDACTED]

[REDACTED]

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Next Steps

An overview of the main court and settlement-related activity in Group Litigation through to October 2020 is set out in the "Group Litigation Timetable" at **Appendix 4**.

In addition to continuing to prepare for mediation and receiving and responding to the courts' decisions on the Horizon Issues, between now and the end of October 2020 we are preparing to:

- attend the Court of Appeal hearing on 9 October 2019 on permission to appeal the Common Issues Judgment;
- go through the court's costs budgeting process;
- receive the Claimants' formal articulation of their claim for the third trial; and
- identify criteria to select "test claimants" who can represent the wider Claimant Group in the as yet unscheduled trials on breach (i.e. whether Post Office acted wrongly), causation (i.e. did that breach cause the harm for which the Claimant seeks compensation), and limitation (i.e. is a Claimant's claim time-barred).

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Appendices

1. Potential Settlement Range Table

	Value - lower end of range	Value - upper end of range	Per Claimant value
Quantified Claim Value	[REDACTED]		
Recoverability - notice period only			
Recoverability - 12 months post termination losses			
Recoverability - 2 years post termination losses			
Recoverability - 3 years' post termination losses			
Funding Analysis as at November 2019 (plus 10k/claimant)			
Pay the Claim Analysis (Quantified Claim Value)			
[REDACTED]		[REDACTED]	
Potential settlement range	£45m - £65m		

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2. Funding Costs Table

	May 2019	November 2019	May 2020	December 2020
Freeth's costs				
CFA uplift (100%)				
ATE insurance premium				
Funding uplift – total range				
(a) Funding uplift – 3x multiplier				
(b) Funding uplift – 3.5x multiplier				
(c) Funding uplift – 4x multiplier				
Subtotal				
Less £5m costs paid				
Add individual Claimant recovery				
Scenario 1 - £10k/daimant				
Scenario 2 - £15k/daimant				
Scenario 3 - £20k/daimant				
Scenario 4 - £25k/daimant				
Scenario 5 - £50k/daimant				
TOTAL				

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3. Extracts from Post Office Limited's Articles of Association

11. VARIATION OF SPECIAL SHARE RIGHTS

11.1 Matters requiring consent

Notwithstanding any provision in these articles to the contrary (save for article 116 to which this article 11 shall be subject), each of the following shall be deemed to be a variation of the rights attaching to the Special Share and accordingly shall occur and be effective only with the prior written consent of the Special Shareholder:

...

- (O) the entry into or implementation of a relevant transaction by any member of the group which involves or is likely to involve (either individually or when taken together with all other related relevant transactions (other than any related relevant transaction previously approved under this article 11.1(O) entered into or implemented in the previous 12 months)) the incurring of a commitment or liability, or the payment of a sum, by any member of the group which is an amount in excess of £50,000,000;

...

- (S) (a) the incurring of (or entry into of any commitment to incur) any borrowing by any member of the group in circumstances where the borrowing:
- (i) (1) individually; or
 - (2) taken together with the aggregate principal amount in respect of borrowings already incurred in the same accounting period without approval under this article 11.1(S); or
 - (3) if part of any series of related borrowings to finance a single investment, then taken together with the aggregate principal amount incurred in respect of such related borrowings exceeds £75,000,000; or
 - (ii) is to be provided from any source other than another member of the Enlarged Group, the National Loans Fund or the Crown, save in respect of borrowings which are due from the Secretary of State, the Bank of England and (other) Monetary Financial Institutions, a Local Authority or a Public Corporation; or
 - (iii) if taken together with the aggregate principal amount outstanding of all money borrowed by the group from any source (excluding amounts borrowed by any member of the group from any other member of the Enlarged Group, other than amounts to be taken into account under article 11.1(S)(b)(v) below) exceeds an amount equal to the lesser of £2,000,000,000 and 2.5 times the aggregate of:

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- (1) the amount paid up on the issued share capital of the company; and
- (2) the total of the capital and revenue reserves of the group, including any share premium account, capital redemption reserve and credit balance on the profit and loss account, but excluding sums set aside for taxation and amounts attributable to outside shareholders in subsidiary undertakings of the company and deducting any debit balance on the profit and loss account, all as shown in the then latest audited consolidated balance sheet and profit and loss account of the group (or if consolidated financial statements are not prepared, as would have been shown in such consolidated financial statements had they been prepared), but adjusted as may be necessary in respect of any variation in the paid up share capital or share premium account or capital redemption reserve of the company since the date of that balance sheet and further adjusted as may be necessary to reflect any change since that date in the companies comprising the group;

....

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4. Group Litigation Timetable

	August 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	March 2020	April 2020	May 2020	June 2020	July 2020	Aug 2020	Sept 2020	Oct 2020
Common Issues Appeal			Oral hearing for Court determination of permission to appeal (9 Oct; decision to follow asap)		File additional documents with Court as required for appeal (if permission granted)							Likely window for hearing (if permission granted) Note: Court vacation August & September so unlikely appeal will be heard in these months.			
Horizon Issues Trial		Likely window for Horizon Issues Judgment		Hearing on costs of Horizon Issues trial											
Further Issues Trial	Disclosure (30 Aug)		Costs Budgets (2 Oct) Discussion Reports (16 Oct) Costs Management Conference (23 Oct) Particulars of Claim (25 Oct)	CMC (7 Nov) Defences (25 Nov)	Statement of Assumed Facts (2 Dec) CMC (4 Dec) Replies (9 Dec)	PTR (23 Jan)		Further Issues Trial (2-20 Mar)		Likely window for Further Issues Judgment		Hearing on costs of Further Issues Trial			
Trial 4				Agree selection criteria (27 Nov)								Likely window for Trial 4			
Settlement	Scoping settlement / initial engagement with Cs			Target window for first mediation		Window for possible second mediation									

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5. HSF report entitled "Advice on Settlement" dated [2
September 2019]

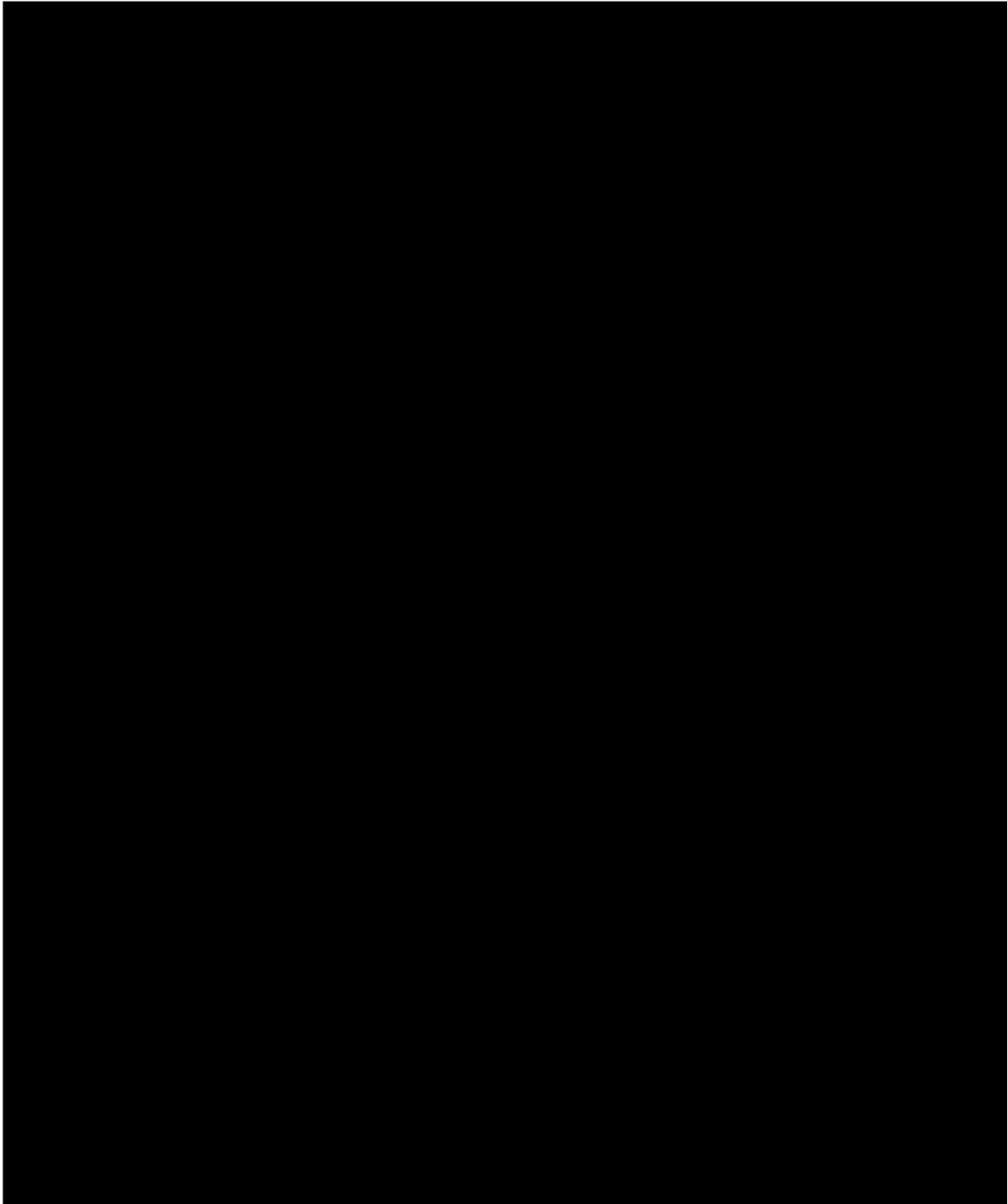
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Project Starling – Update Paper

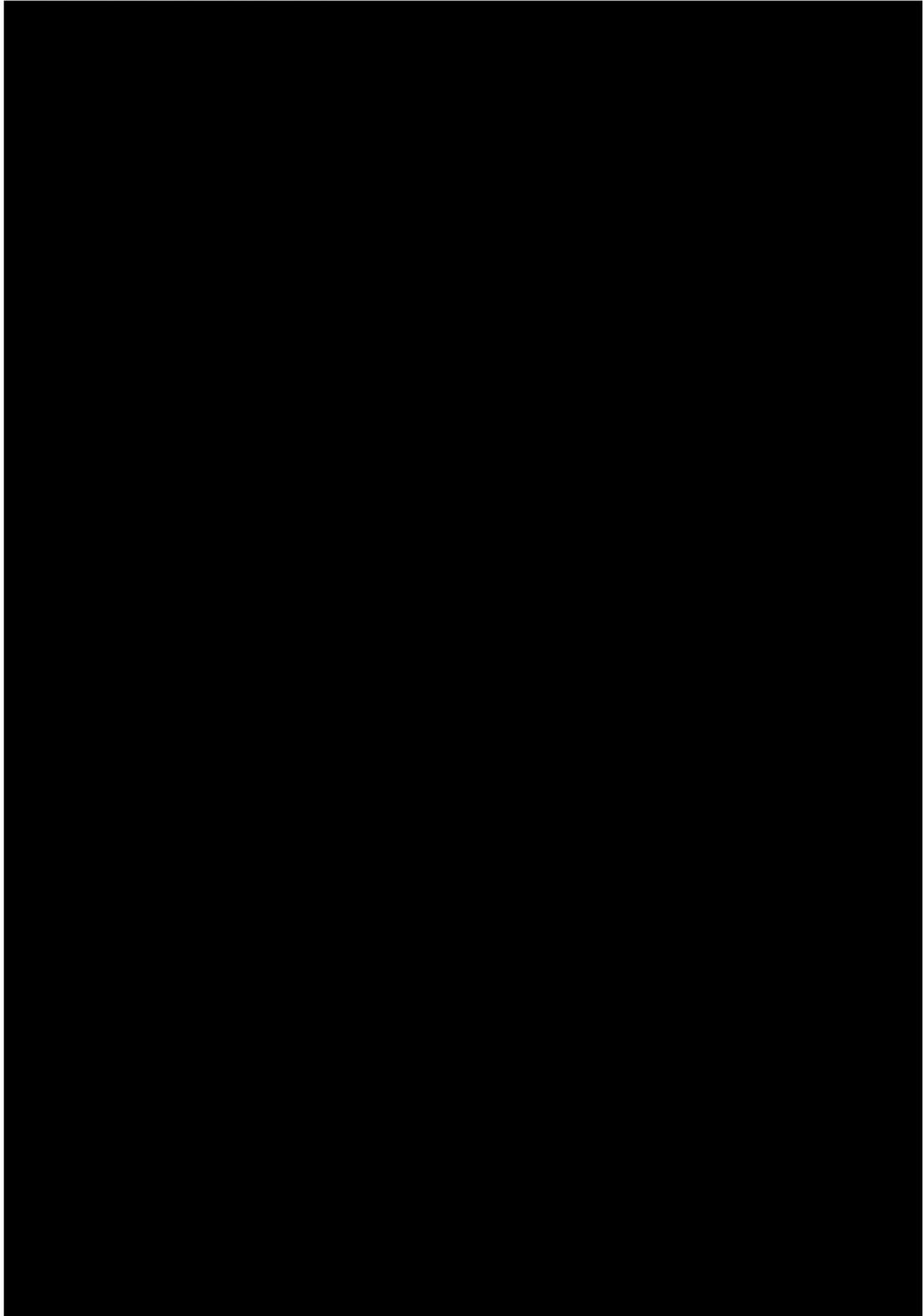
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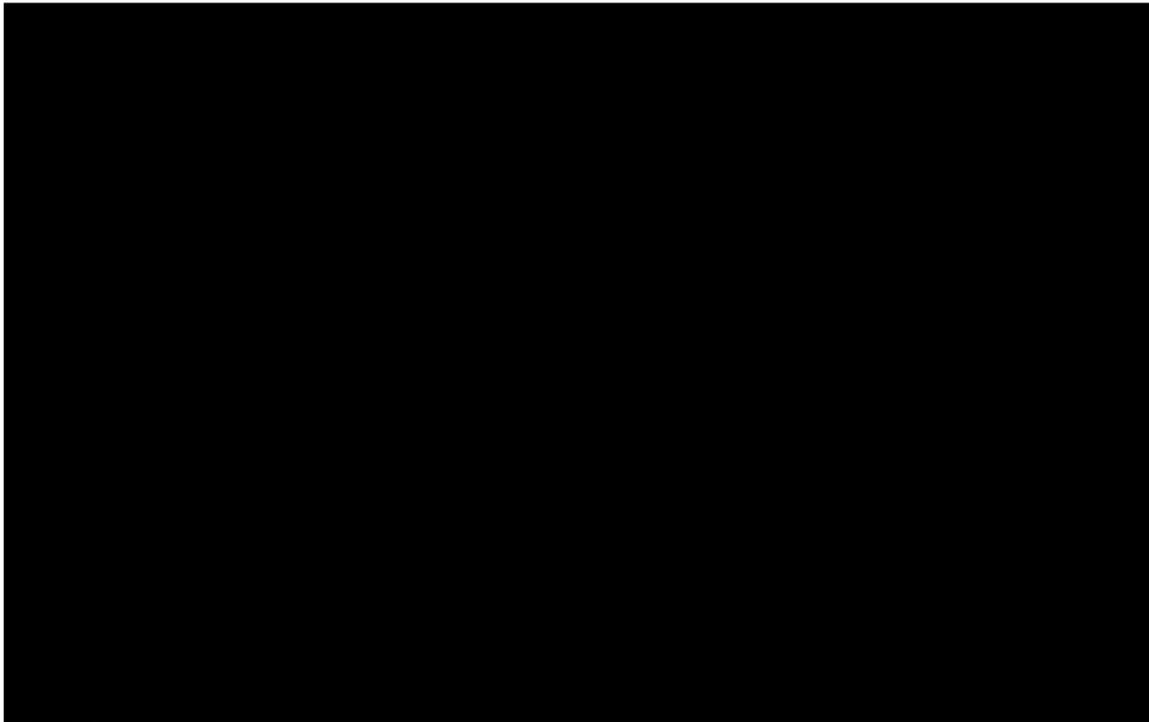
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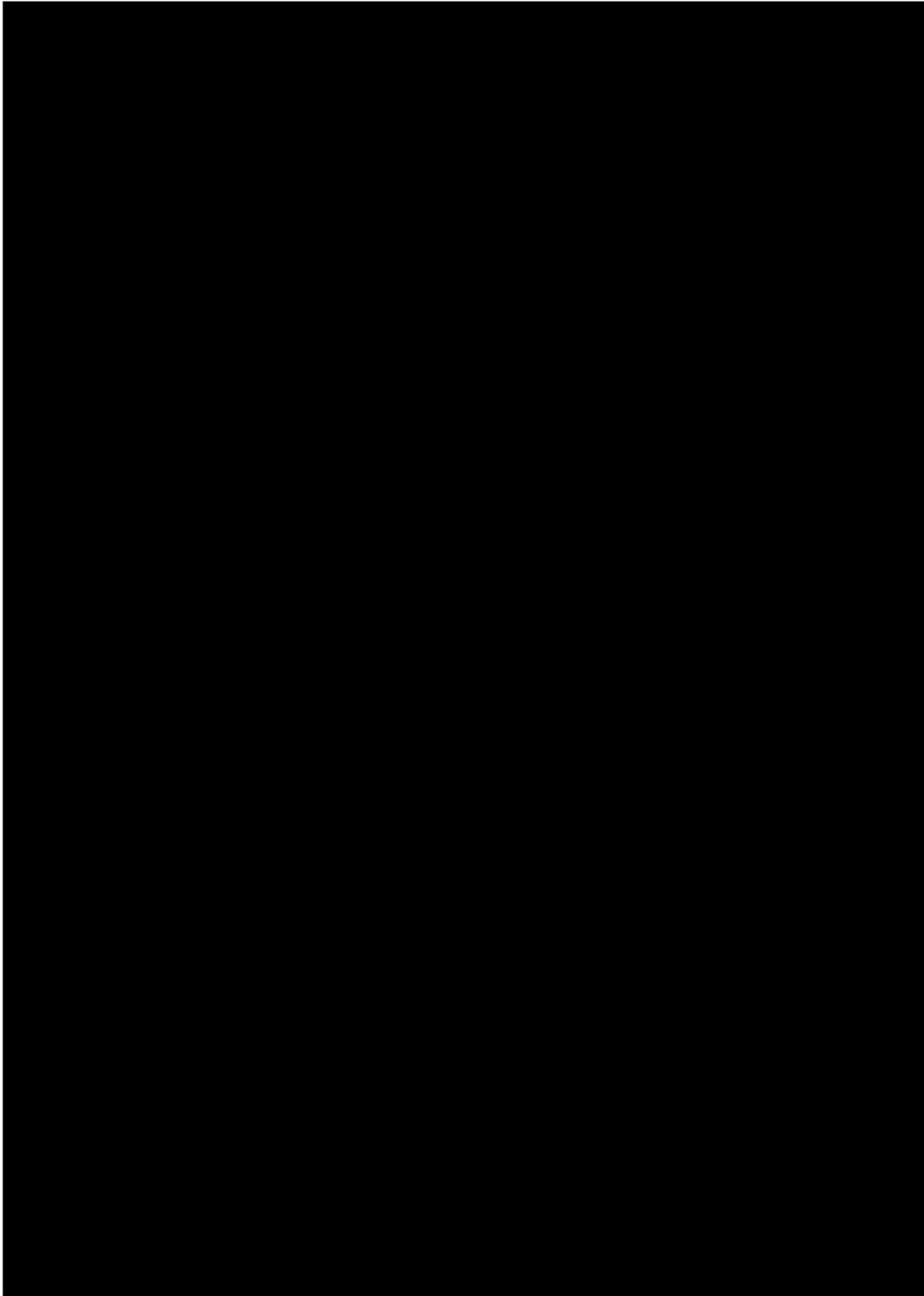
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The Report



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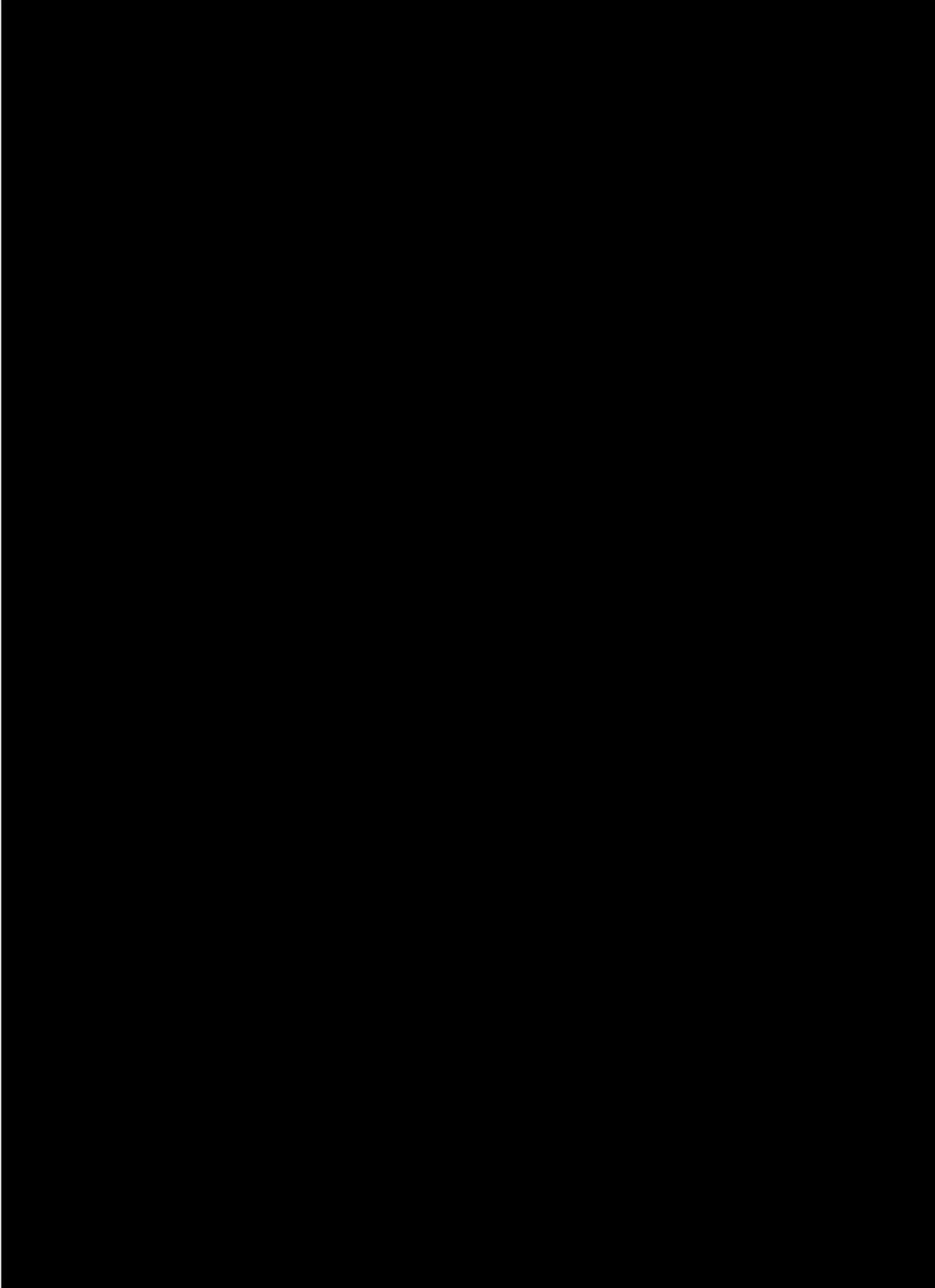


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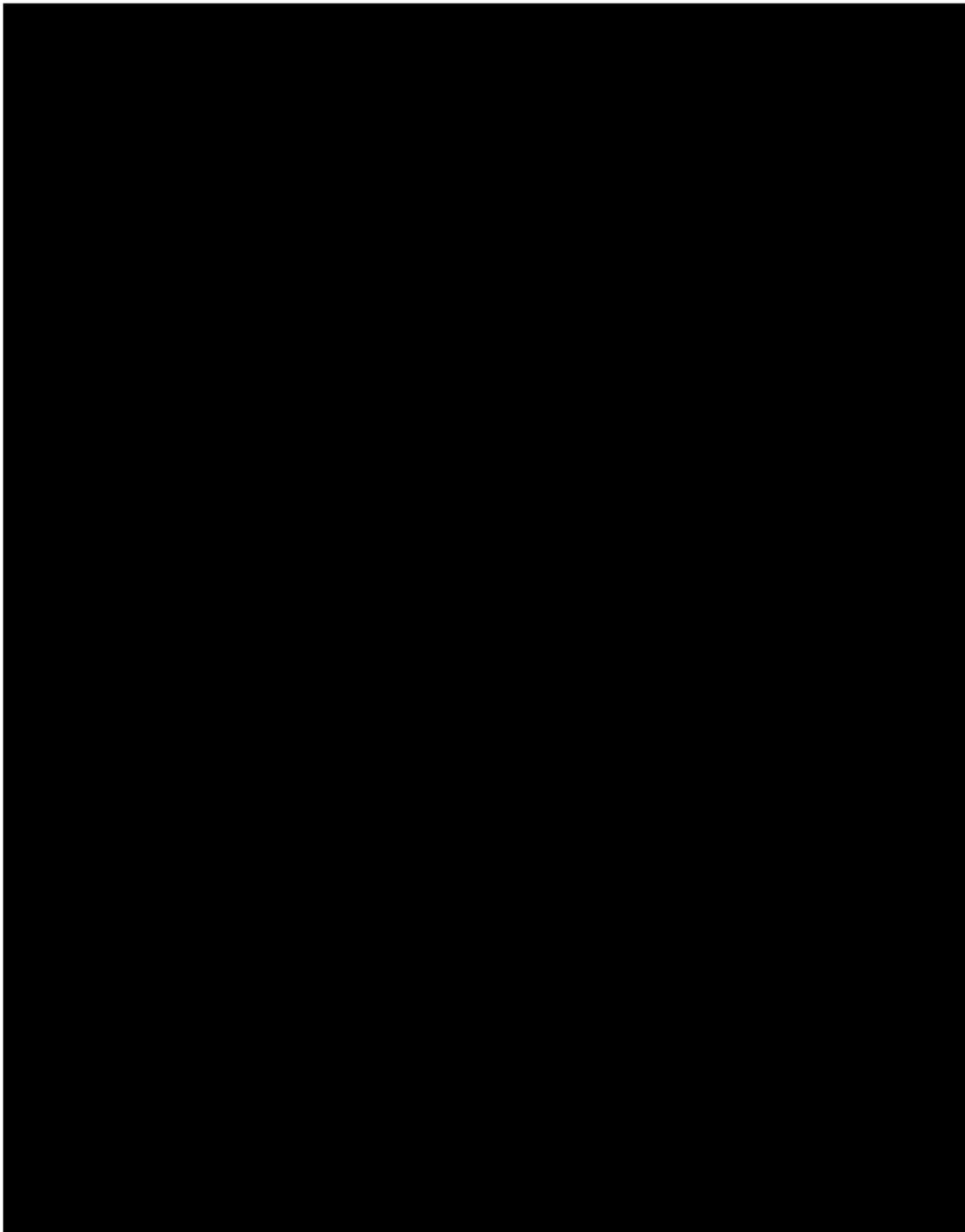


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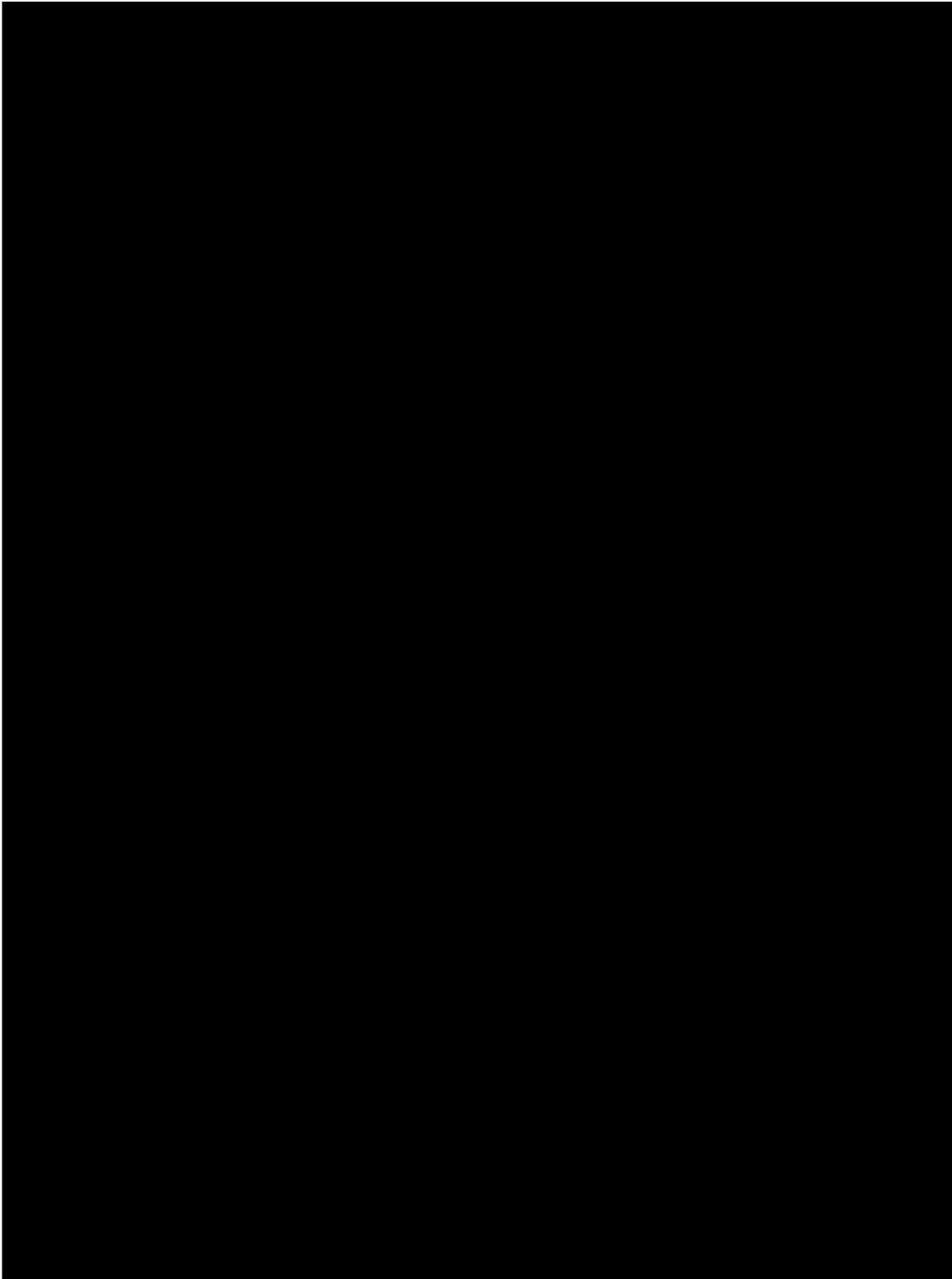
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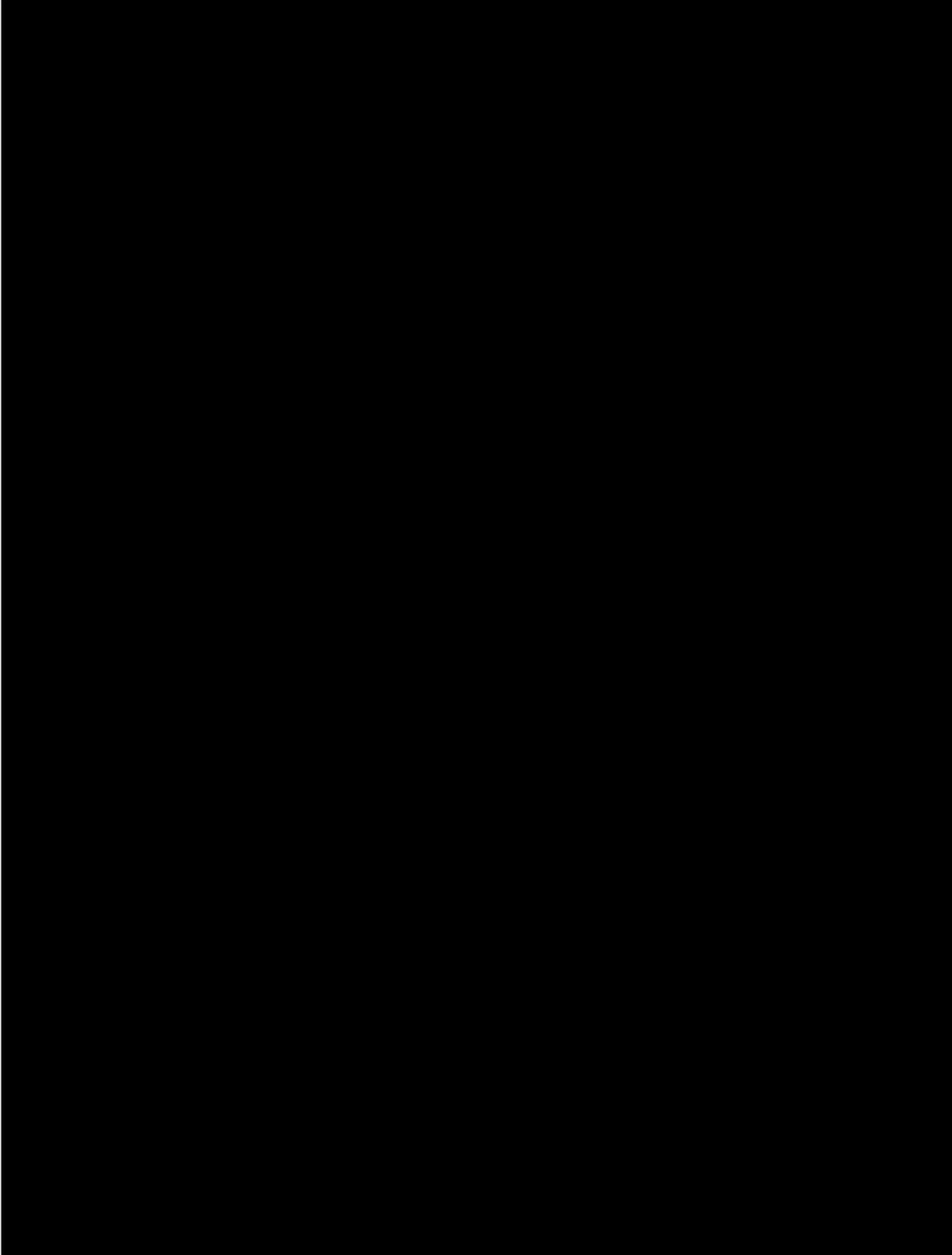
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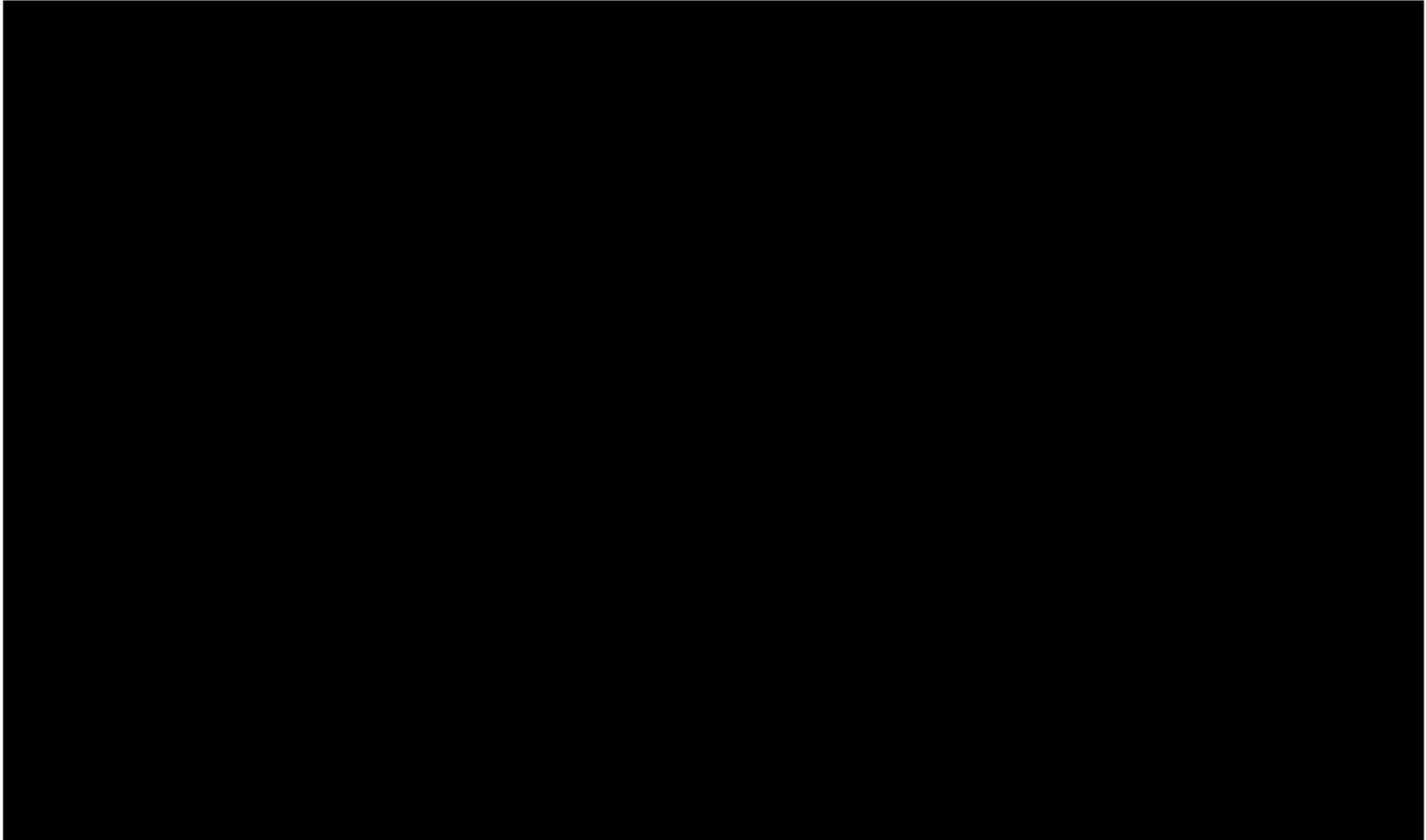


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QE Monthly 1 September 2019-1/09/19

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FST&I Quarterly Report - September 2019

Author: Owen Woodley

Meeting Date: 11th September 2019

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Executive Summary

Context

This report provides an update to the Board on the current performance of the products across FS&T, Identity, PO Insurance, Group Marketing and Group Digital & Innovation as well as an update on our strategy.

Questions this paper addresses

1. How are our products, digital and marketing functions performing?
2. How are the key elements of the FST&I strategy evolving?

Conclusion

Gross income is £(6.7)m adverse to budget P4 YTD and direct contribution is £(1.1)m behind budget YTD. The primary driver is the significant exchange rate-led disruption in the travel and international payments markets pre-Brexit. This has led to continuing underperformance in Travel Money and MoneyGram, partially offset by £2.4m across Telecoms & Marketing from IFRS 15 accounting changes implemented but not budgeted.

	Gross Income (£m)		Profit Contribution (£m)	
	Period 4 YTD	19/20 FY	Period 4 YTD	19/20 FY
FS&T				
PO Insurance				
Identity				
IFRS15 Telecoms Impact				
Other Income				
Digital & Innovation				
Central Marketing				
IFRS15 Marketing Impact				
Total				

IRRELEVANT

The Travel market remains very challenging as a result of wider uncertainties and the resultant significant reduction in package holiday bookings. The Telecoms business is continuing to face a highly aggressive competitive market with heavy discounting which is impacting budget in Call Packages and Out of Bundle calls. Banking products have benefitted short term from a delay to the new BoI deal because mortgage margins & savings balances drive **IRRELEVANT** albeit the delay has resulted in **IRRELEVANT** from FRES.

Input Sought

The Board is requested to review and note the report.

The Report

How is our Balance Sheet product set performing?

1. The Market

Competitive pressures in retail banking remain with Brexit driving declines in swap rates and squeezing lending and savings margins. The continuing low rate environment, ring-fencing and the BoE funding schemes have put major pressure on mortgage margins and savings rates. There is an expected savings maturity spike coming in the market from October, releasing a lot of excess liquidity at a time of economic uncertainty and this will only bring about further compression in mortgage margins in what is already a highly competitive pricing environment at the moment, reflected in our own frequent price adjustments.

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2. Product P&L P4 YTD

	Gross Income (£m)		Profit Contribution (£m)	
	Period 4 YTD	19/20 FY	Period 4 YTD	19/20 FY
PO Money Commissions				
Credit Cards				
Balance Sheet Products				
	IRRELEVANT			

3. Review of Performance

Under the new deal with BoI, the budget for mortgages, savings & loans is being amalgamated to form "PO Money Commissions". The process for accruing income and allocating actuals remains on the existing commission schedule for now, with the new deal expected to come into effect in P7. Our new credit card offering in partnership with Capital One is due to launch in November and until P5, we will continue to recognise revenue of **IRRELEVANT** per month as **IRRELEVANT** from BoI.

4. Customers

There are three key customer projects underway in Post Office Money:

- Customer Advocacy Programme - identifying areas within the customer journey to make improvements. NPS (net promoter score) continues to track upwards.
- External Benchmarking Survey - highlights areas for improvement. This has progressed to field work stage for savings, ISAs, mortgages and personal loans; results are due in late October/early November.
- Customer Research Panel - established to support new product development & innovation is now live.

How is our Transactional product set performing?

5. The Market

Research conducted by KPMG shows that one third of British adults have tightened their belts because of Brexit concerns. 9% said they have missed out on overseas holidays with young families being the hardest hit with 15% sacrificing foreign holidays. Figures published by Visit England indicates a record 8.6m planning an August 2019 Bank Holiday 'staycation' (up from 7.3m in 2018). In August 2019 the Pound against the EUR hit a ten year low at 1.065 due to Brexit fears, which has affected the way holidaymakers go about spending during their visits abroad and also influences the type of trips and destinations they choose.

6. Product P&L P4 YTD

	Gross Income (£m)		Profit Contribution (£m)	
	Period 4 YTD	19/20 FY	Period 4 YTD	19/20 FY
Travel Money (incl App)	IRRELEVANT			
FRES Profit Share				
MoneyGram				
Postal Orders				
Western Union				
Transactional Products				

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7. Review of Performance

MoneyGram transaction volumes continue to be under pressure and MoneyGram have confirmed that this performance is mirrored across its agent network. We launched a new incentive scheme in August for our top 276 branches in the Midlands and London regions, which if successful is estimated to produce a 2% uplift in performance across those branches. We are also working with MoneyGram on a Winback campaign (contacting lapsed customers with promotions to re-transact) and are currently discussing the development of a Rewards programme for repeat transactions. Postal Orders are maintaining their expected forecasted numbers in line with the anticipated decline and we still await any MOJ update in regards to them removing the service.

8. Customers

FRES recently commissioned a short piece of research to understand how consumer behaviour has changed over the last year. This showed that of those who took an overseas holiday last summer, two thirds have already taken an overseas holiday this year (to July 2019), 13% have already booked, 5% intending to book an overseas holiday between now and September; leaving 17% who went away last year but have not so far this year and stated no intention to do so.

How is our Telecoms business performing?

9. The Market

The industry continues to focus on Fibre with BT Openreach now actively incentivising further uptake of this product, enabling a long term strategy to retire the Broadband (ADSL) network. Our core product (ADSL) accounts for only 20% of the total new Broadband subscriptions sold in the market, and this year we have started to transition our customer base to Fibre. ADSL pricing has remained stable and the Post Office in Q1 has achieved its 'price leadership' objective. For Fibre products, market pricing continues to decline and competition is increasing from Vodafone.

10. Product P&L P4 YTD

	Gross Income (£m)		Profit Contribution (£m)	
	Period 4 YTD	19/20 FY	Period 4 YTD	19/20 FY
Telecoms	IRRELEVANT			

11. Review of Performance

YTD net revenue is behind budget due to a lower customer base and lower ARPU, driven mainly by Out of Bundle calls. In P4 we have introduced an accounting change to align to IFRS 15, backdated to P1. Underlying Telecoms gross revenue before the accounting change is £(1.8)m adverse and DPC underlying is £(0.9)m adverse. Mitigating actions to close the gap to budget have been identified including a price rise in Q3.

Q1 Trading Summary:

- **Orders 36.6k vs 39.8k** (91% of target). Performance is up 60% YoY driven by improved marketing distribution, new website & improvements in contact centre performance.
- **Adds 27.4k vs 32.6k** (84% of target). Performance is up 32% YoY however this is lower than expected due to lower Q4 order volumes which impacted Q1 adds.
- **Churn 24.3k vs 18.5k** (31% over target). Performance has improved by 11% YoY increasing demand in the retention space (up 16% YoY) due to increased competition and market migration to Fibre.

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12. Customers

Our "Customer First" programme has now fully rolled out across our contact centres, placing the customer at the heart of conversations and ensuring we strike the right balance between commercial performance and customer experience. We continue to see record Customer Satisfaction (CSAT) scores at 83%. Ofcom complaints continue to perform below the target of 10 and consistently below the industry average. We have launched two new contact channels in Telecoms - Online Virtual Assistant and Live Chat - which allow customers to interact with us digitally rather than calling the contact centre.

How is our Insurance business performing?

13. The Market

The latest view is that the Travel Insurance market is c.10-12% down YoY, mainly due to exchange rate depression leading to increased cost of travel abroad and the wider continued uncertainty around Brexit. POI is performing ahead of market trends and delivering YoY growth with a focus on digital channels and impaired customers. But we are not immune to the market conditions. The Home Insurance market is expected to fall by 2% p.a. over the next three years but POI's new business model is still expected to enable us to grow our market share. The Car Insurance market is expected to grow by 1% p.a. to 2020. Our current market share is 0.4% but we anticipate growth whilst we consider our long terms strategy here. The Protection market is stable and marginal growth is expected over the next year. The acceleration of our channel diversification towards direct will continue to drive growth in direct-to-consumer Life Insurance and Over 50s products.

14. POI P&L P4 YTD

£m	Period 4					P4 YTD					FY
	Act.	Bud.	Var.	PY.	Var.	Act.	Bud.	Var.	PY.	Var.	Bud.
Gross Revenue	3.8	6.3	(2.5)	4.8	(1.0)	18.5	22.3	(3.8)	18.0	0.5	72.4
Cost of Sales											
Net Revenue											
Agents' Pay											
Staff Costs											
Non-Staff Costs											
Total Expenditure											
Direct Contribution											
Direct Profit Margin											

IRRELEVANT

15. Review of Performance

In P4 we have implemented two accounting changes (deferral of acquisition costs under IFRS 15, and BGL accounting), backdated to the start of the year. Prior year figures have been re-stated but the budget has not. The BGL accounting change has no impact on trading contribution and the IFRS 15 has benefitted the bottom line by £0.1m YTD. Underlying trading is therefore broadly in line with plan. Travel net income is up 11%

(through pricing and channel optimisation) and Protection net income is down 9% (largely around phasing of activity).

Total sales and renewals of 151k in P4 were 13% down YoY, primarily as a result of the reduction in underlying demand in the travel market. We are on track to go live with the Home Re-engineering launch from 1st October and the team is heavily focused on UAT and pre-go live actions.

How is our Identity business performing?

16. Review of Performance

Identity is performing slightly ahead of budget YTD, delivering a Trading Profit upside of £0.1m.



We have seen a 7% decline YOY in passports, reflecting a similar decline in total passport applications in Q1, driven by Brexit and the pull forward of applications in early 2019. However, PO has maintained a 24% market share YTD. Offsetting this is strong performance in UKVI BRP and Secure Collect and our ongoing negotiations with the Home Office have secured a short term extension to the UKVI contract and a 1 year contract extension for Secure Collect. DVLA is performing favourably against budget, primarily driven by International Driving Permits again driven by Brexit uncertainty. Verify is also showing strong performance against budget due to an upward trend of Universal Credit applicants (albeit this appears to have stabilised in P4). We remain the market leader with a share of 54%. Strong performance in our Document Checking Service is driven by higher volumes for DBS checks. The new service and network expansion for Document Checking launched at the end of P2 and has since resulted in a 7% volume increase YoY.

How is Digital performing?

The formation of Digital and Innovation as a group centre of excellence has continued by bringing new skills to PO to lead on digital proposition development and in-market optimisation. The recruitment of new skills such as User Experience, Analytics, Search Engine Optimisation and Conversion Rate Optimisation are reducing our dependency on suppliers such as Accenture and increasing our efficiency. Key features/projects which have been delivered in the last quarter include: Branch Discoverability (each branch now having its own bespoke URL), the digital summer travel campaign, the launch of gadget insurance, enhancements to the International Driving Permit country search functionality and new features in the Travel App (PIN Reveal, Freeze Card).

How is Marketing performing?

The newly formed Group Marketing function has started to move away from product silos towards proposition-based campaigns, including the latest Travel Campaign promoted as "Travel Essentials" (TI, TMC, Travel Money, Passports), optimising spend across the four product areas. Marketing has started to extend the mix from depending solely upon digital channels such as Affiliates, Aggregators and Paid Search to include higher impact channels such as DRTV, Radio, Press, Email and Social Media. New tools have also been launched to support Postmasters with branded assets to publish on their local social

media channels. We now have a segmentation of the PO customer database underway to enable much more effective prospecting, propensity modelling and lookalike targeting. Work is also underway to drive a more consistent brand look and feel across the branch network and for the first time, we have done some dual branding with Royal Mail to reduce customer confusion.

How are the key elements of the FST&I strategy evolving?

POI is continuing to make good progress in re-engineered the core product set (Travel, Home and Protection) and the first campaign to promote a new Impaired Travel product has recently launched. October and November are key months for the delivery of the new Home Insurance product and platform together with the new data, analytics and pricing platform which will offer significant optimisation opportunities. A review of the organisational design in POI is underway and following the POL Board discussion in July, work has started to look at funding and structuring options to deliver a much more aggressive growth trajectory. Proposals will be brought back to both the POI and the POL boards later in the year.

Following discussions with GE and Board, the **Identity** team has now been reached agreement with the Cabinet Office to extend the Verify contract beyond next March on current terms. (Digidentity are the only other provider staying in the framework with others dropping out). As a result, we now expect our market share to increase from 54% to at least 75%, taking the total customer base to over 5 million by 2021. Clearly, this will provide us with some significant wider opportunities. Discussions are continuing with Digidentity on a new partnership agreement and we are also now examining a number of potential alternative business models for this part of our business. An update will be presented to GE and the Board in October 2019. DVLA has confirmed a 3 year extension of the contract for vehicle tax and driver licence services to March 2023.

Also at the July POL Board sessions, the **Telco** business presented a comprehensive overview of the RFP activity as we look for much more cost effective supplier arrangements versus the current structure with Fujitsu Telecom. We also presented an initial valuation of the business based on desktop activity by PJT Partners. Both phases of work have since progressed well: the RFP process is running to plan and "Best and Final Offers" have been received. The team is also looking to appoint sell-side advisors to commence the auction process, working alongside PJT. An update to the Board on both the RFP and sale process is due in October 2019.

The **Travel Money** team presented a strategy to the July board on how to optimise the cash business and develop a non-cash strategy for FX. On optimising the cash business, PO is driving forward a number of cost reduction opportunities and synergies with FRES which will be considered by the FRES board later in September. We are also exploring potential FX opportunities in the Payzone business. On the non-cash strategy, proposals on a broader "transactional banking" capability across PO, with FX as a priority use case, are going to the GE in September followed by a funding request which will cover details of "soft/informal" market engagement, high level proposition development and indicative financials.

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PERFORMANCE UPDATE

Retail CE's Report – Sept 2019

Author: Cathy Mayor Sponsor: Debbie Smith

Meeting date: 11 Sept 2019

Executive Summary

Context

The Period 5 Retail Commercial Performance Report for the Board.

Questions this paper addresses

1. How are our sales and revenues performing against our targets and prior year?
2. What's happening in the relevant markets?
3. How are we progressing around delivery of strategy and plans?

Conclusion

1. Retail income is +1.5% year on year, ahead of income budget by +£1.6m and ahead of profit budget by +£2.8m adjusting for GLO activity centrally budgeted and agents pay double count.
2. Network customer sessions YTD are +1% up year on year, averaging 10.1m sessions per week, better than the BRC reported footfall quarterly decline of -4%.
3. Mails volume YoY growth continues to come from Home Shopping Returns (+3.3m items vs LY), supported by Click and Collect (+0.5m). Label volumes for UK and International are both above plan and LY. As forecasted stamps continue to decline YOY -8% however 1% better than budget.
4. In Banking, volume growth trends continue to improve with withdrawals +8% and deposits +35% year to date driven by media coverage of the Post Offices key role in access to cash and greater Postmaster engagement through recent announcement of increased remuneration
5. In Bill payments income is -£1m against budget due to lower than anticipated volumes. The recent win of a 5 year exclusive contract with British Gas (subject to contract) which will increase our market share by 14% pts, enable us to win whole estate deals with retailers and offset the YTD variance to bring us back on budget by FY.
6. Delivery of our retail strategy and plan is on track. Agent Remuneration work has progressed in modelling the hypotheses and gaining further insights from Postmasters to validate our thinking. The new Field Structure is starting to embed and Postmaster reaction to enhanced support is positive. Phase II of our 'Hothousing' programme is complete with the next roll-out phase starting in September.

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Input Sought

For the GE to review and note.

Input Received

RLT

The report

Overview of Financial performance

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	Period 5			YTD				FULL YEAR		
	Act	Var Bud	YoY%	Act	Budget	Var Bud	YoY%	Bud	PY	YoY%
Gross Income (£m)										
Mails Trading										
Mails Non-Trading										
Banking Services										
ATMs										
POCA										
Payzone										
Payment Services										
SSK Commercial Terms										
Retail & Lottery										
Retail Total										
Retail DPC (£m)										
Mails										
Cash and Banking Services										
Payment Services										
Payzone										
Retail & Lottery										
SSK Commercial Terms										
Retail Total DPC										
Fixed Agents Pay										
Retail Director										
Retail Programme Costs										
Retail Central Costs										
Retail Profit										
GLO Activities										
Agents Pay Double Count										
Underlying Profit exc GLO										

IRRELEVANT

1. Retail has grown year on year YTD income +1.5% and exceeded Income budget by +£1.6m driven predominantly by Mails and Banking. In banking both deposit and withdrawal year on year growth has increased over the summer period with Year on year growth of +8% for deposits and +35% for withdrawals YTD. Successful media campaigns together with collaborative bank marketing teams has increased awareness of the Post Offices role in access to cash and this, together with the recent remuneration rate increases, appears to be driving both consumer awareness and Postmasters engagement and thus volume increases above the trend at year end.
2. Retail profit is adversely impacted by GLO costs that were centrally budgeted including Suspended Postmaster Agents Rem (£0.5m YTD), Paying the banking rate increases early and increasing fixed remuneration for community branches (£1.1m YTD) and investing in increased training for Postmasters (£0.1m YTD). Adjusting for these, which are not adversely impacting the total PO performance, the underlying Retail contribution is +£4.8m vs budget. This is driven by a budgeting double count in

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agents pay (£2m YTD), timing of project costs that will be incurred later in the year (£1.2m) and trading upside £1.6m.

3. Full year we are anticipating underlying upside of c£7m driven by the Agents Rem double count (c£5m, total PO £6m) and commercial upsides c£2m.

Market Update

4. Retail sales flattened in August with the 12 month average dropping to a new low of +0.4% on previous year. Like for like sales in August were down -0.5% YoY. Online sales outperformed the high street, but with growth as low as +2.2% YoY it is clear that even this channel has slowed down dramatically. Food and grocery sales moved back into positive territory with LFL growth of +0.5% YoY over last 3 months predominantly due to Bank Holiday heatwave whilst non-food LFL growth over the last 3 months is -3% YoY. (BRC Sept 3rd 2019)
5. Convenience retail sales continue to outperform overall grocery market The Institute of Grocery Distribution (IGD) issued its annual convenience market review in July, predicting that the sector will continue to perform strongly with forecast sales growth of 2.6% for 2019 and cumulative market growth of £6.9bn to 2024. The Co Op societies are forecast to be the fastest growing sector with estimated growth of 5.6% in year, whilst Independents are forecast to be the slowest growing sector, albeit still growing at 1.6%.
6. Royal Mail quarterly trading results were in line with expectations but share price remains suppressed. The recent announcement of potential Industrial Action by CWU members is seen as a warning shot to Rico Back over planned changes. The threat of action prior to Christmas peak follows the same pattern used with Moya Greene to extract productivity and pension concessions. RM have also created Parcelforce as a wholly owned subsidiary, still subject to MDA provisions, and may offer opportunities around industrial action contingency and possible future business separation.
7. The pick-up and drop-off (PUDO) market has been a major focus of competitor development. Amazon launched its own click and collect network 'Amazon Counter' and Paypoint announced deals with Amazon and DHL Parcel. The deal with Amazon sees Amazon deploying its own technology into Paypoint outlets and a decrease in agent rates. Both developments highlight the increasing competition with the same risk of over-capacity and margin squeeze seen in wider e-commerce parcels

Customers

8. Network customer sessions have averaged 10.1m per week for the year to date, +1% year on year, significantly better than BRC reported 3 month average High Street footfall decline of -4%.same as front page .Network performance has been mixed, overall +1%

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vs target with sector wide challenges facing travel products offsetting strong performance in mails and banking, particularly pleasing in the context of significant organisational change as well as responding to Postmasters reaction to the GLO judgement.

9. Customer Experience KPIs show a steady improvement month on month although are behind last year due to the lower scores achieved in DMBs that have been franchised into WHS (Ease scores i.e.how easy the PO is to do business with, are 67.2% WHS vs 89.1% DMB's) At a recent meeting with Carl Cowling, the new WHS CEO, was surprised by their relative performance and is keen to address it. The Ease score for P5 was 81.1% and is 81.1% YTD, slightly below target of 82%. 93.2% of customers YTD thought their wait time was acceptable and customers' rating of counter teams demonstrating behaviours - Friendly, Professional, Knowledgeable, having understanding, acting efficiently and meeting expectations - was 85.9% in P5 and 85.5% YTD)

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Mails performance

10. Trading income growth of +£1.4m (+1.2%) vs budget is largely due to better than expected performance in Labels (+£1.3m) and Stamps (+£0.4m) helping to offset weaker than expected growth in Home Shopping Returns (-£0.5m).
11. Home shopping returns continue to show good growth of +21% vs prior year, however this is lower than budgeted growth of +29% reflecting the overall slowing of online UK retail growth as mentioned in para 4. The effect of recent retailer attempts to reduce free returns is not yet clear. Labels-to-Go continues to account for ~10% of total return volumes through organic customer adoption. Local Collect saw continued strong growth of +25% supported by the two Amazon Prime Days in July.

Cash & Banking performance

12. Overall, nationwide cash withdrawals through all ATMs continue to reduce at a compounding 7-10% (according to LINK). PO ATM Performance has been a reduction of c.6% year to date, temporarily bucking this trend, driven by a focus on ATM availability which is now routinely above 94%. Our work with the Bank of Ireland to remove ATMs that are either out of licence, outdated insecure hardware, or commercially unsustainable has seen 35 removed so far, with a further 97 planned for removal in the coming months. Specific arrangements have been agreed to ensure truly remote ATMs (Kinlochleven in Scotland being an example) are protected for the next year, and a support package has been agreed for Postmasters while we work with them to migrate transactions to their counters as their ATM is withdrawn. Notice is expected to be served on a further 300-400 devices by the end of the year. The future ATM strategy to replace the Bank of Ireland estate is being refined and will be presented to GE/Board in October.
13. Counter deposit volumes through the Banking Framework continue to grow strongly following product changes over the last year, +35% YTD compared to last year. Increasing media coverage of the Post Offices role in access to cash and remuneration rate increases, appear to be driving both consumer and Postmasters

awareness and thus volume increases above the trend at year end. As a knock on effect of these changes, withdrawal volumes have also seen an increase YOY of +8% YTD.

14. Banking Framework 2 pricing and contractual changes have been accepted by all banks. Barclays has served notice of their intent to cease allowing their customer to make Cash Withdrawals in Post Offices. This will become public knowledge in early October when the interested parties including Government, NFSP and the Daily Mail respond to our announcement that 'all banks have re-confirmed their commitment, but we are disappointed to note Barclays position'. We believe a number of other significant voices will also express deep concern and scepticism about this decision.
15. POca customer volumes continue to decline but at a significantly slower rate than budgeted despite DWP now sending c.25k letters to customers per week. Take-up and conversion (of customers) has not yet materialised, so we continue to support c1.1m customers UK wide. DWP have stated they will not extend the POca contract beyond 2021 and will go out to tender in 2019 for a POca replacement, which we intend to bid for. Our main strategy and direction is to ensure POL remains the channel for all customers (who have migrated to bank accounts or any new service, whether provided by us or not) to ensure existing footfall remains in branch and to support our social purpose. Following the appointment of Therese Coffey as Secretary of State for DWP we are looking to lobby again to seek an alternative approach.

Payment Services performance

16. The success of winning a 5 year exclusive agreement with British Gas, the largest bill payment client is hugely significant. This will add 78m more transaction volumes with immediate effect on 1/1/20, increasing market share by +14pts (to c39%), and bring c2.5m customers and £9m of gross income into both networks. A £3.5m transition investment program is in place to deliver the technical, customer and agent communication, retail readiness, and operational activities in time for Go Live on New Year's Day.
17. The British Gas win has resulted in significant interest from other key clients (E.On, NPower, B.Telecom). PayPoint share price has reduced by 12%, and they have reacted by issuing legal letters seeking to desist our attempts to persuade independent retailers to switch to Payzone. We have countered these letters arguing that there is no legitimacy to their claims and we continue to respond positively to retailers seeking to end their PayPoint contract and convert to Payzone.
18. Similar positive engagement with major retail groups continues. We are in negotiations with Coop and SPAR for whole estate deals as a direct consequence of winning British Gas. Critical to enabling this is the delivery of HIH and rPos integration that continues at pace for readiness by July 2020.
19. Significant progress has been made with the stabilisation and security of the Payzone business, notably;
 - a. Separation of the Payzone business will be complete by end October.

- b. Completion of all IT security remediation and business continuity activity from the results of vulnerability testing
- c. Completion of outstanding internal audit tasks, including a lessons learned document, master services agreement, and formulation of a network agreement to facilitate the transaction processing to enable bill payment clients to operate across both networks

Retail Strategy delivery

20. We continue to actively engage with our Postmasters and are testing the effectiveness of different channels. In addition to the evening listening groups, in August each of the Regional Managers hosted a conference call which 500 Postmasters joined to hear updates on Agent Remuneration, improvements to Branch Support Centre and business performance. 20 informal regional 'drop in' sessions are running in August/September to give Postmasters the opportunity to ask questions, raise concerns or simply just network and in mid-September we will be trialling a Postmaster Facebook group in the London region. All the issues raised from the curry nights, drop-in sessions and one website comments will be themed and developed into a 'you said, we did' strong narrative to show we are listening and responding.
21. On Agents remuneration we are modelling a range of hypotheses as updated at the board meeting in July. The 'quick wins' of increased Fixed Pay for Community branches and bringing forward the banking rate increases have been very well received. The next update to Board is due in October.
22. Phase II of the hot housing programme has just completed in 230 branches, with 26 Area Managers across 3 regions. The approach is to develop the capability of the Area Managers to build relationships using a 'trust' model; identify opportunities through using diagnostic tools and develop simple coaching techniques. Postmasters benefit from improved Management Information, increasing their knowledge of business finances, strengthening their retail capability and improving their skills in selling Post office products and services. A survey of Postmaster feedback shows 87% would recommend hot housing to other Postmasters, 47% believe it has improved their business profitability already and 78% say it has improved their relationship with the Post Office. Next steps are to roll out to a further 3 regions September to November.
23. We are overhauling the Postmaster application and training experience. We have increased our dedicated classroom trainers from 12 to 18 to be able to offer an enhanced programme of classroom refresher training for Postmasters and their teams. We have increased the number of onsite trainers from 30 to 40 and increased the number of Business Support Managers by 12 to 20 to offer early days support to Postmasters in their first 6 months. The 'run a post office' website for new applicants is being improved to make it more user friendly and mobile platform enabled whilst the business plan process is being simplified. These changes should significantly improve our current 80% drop out rate for new applicants.
24. 34 of the planned 69 DMB exits for 2019/20 have been delivered, and a further 9 are scheduled before the end of Q2. There is a strong pipeline of activity and confidence

in delivering the remaining 27 exits this year to deliver £6.4m in year benefit. 10 onsite conversions with Short Term Contracts have now been announced with very minimal stakeholder reaction and positive customer feedback. These are on track to be delivered this year. The deal to franchise 74 DMBs to WH Smith has almost concluded with 68 branches implemented to date.

25. Network numbers as at the end of August 2019 stand at 11,628 which is broadly in line with our expectations. There has been a small month on month decline in network numbers and whilst we expect this trend to continue throughout Q2, an increase in the number of new local branches opening in Q3 and Q4 is expected to offset this. We plan to introduce 220 new local branches in 19/20, 73 of which have already been delivered, increasing customer convenience and helping to maintain our network coverage. Overall, we have opened close to 500 new network locations over the past three years.
26. The Parcel Shop trial is now fully tested and ready to launch, with 5 locations already lined up in central London and 8 contracts in total already signed. We have been trialing the concept in Finsbury Dials over the last two months with positive feedback from colleagues and around 25–30 transactions per week. Our first live branch is due to open imminently in Tottenham Court Road. We have completed 7 Mains to Locals trials with a further 7 planned for September and October. The results are extremely positive to date with commercial benefits for POL (reduced remuneration rates) and the Retailer (smaller PO footprint and increased retail sales). McColls have converted two of their branches to date and are quoting 9% increase in retail sales and around £4k per annum reduction in branch operating costs through staff savings. Based on this initial performance they have asked us to look at another 40 locations across their estate which we are currently exploring.
27. The procurement for next generation Self-Serve Kiosks is now being reviewed to include software requirements and the next stage is to test the market to ensure that that the full cost per kiosk meets our expectations. Commercial terms and lease arrangements have now been agreed for 26 kiosks in 21 of our agency branches generating incremental income of £115k per annum for Post Office. Positive feedback has been received from postmasters in terms of the levels of workload migration from the counter and potential for staff cost efficiencies. In those agency branches with multiple kiosks, postmasters are reporting an average of 55% mails workload migration and £1300 staff cost savings per week. Plans are also progressing to further improve and simplify the customer journeys on our existing Self-Serve Kiosks prior to this year's peak Christmas trading period.

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Appendix 1 – Retail Scorecard

Area	Unit	Period 5		YTD		3-month Rolling Average		12-month Rolling	Trend Line	RAG Status
		Actual	Target	Actual	Target	Actual	Target	Actual		
Financial										
Retail Gross Income	Retail	£m								●
Retail Trading Profit	Retail	£m								●
Total Transaction Value Per Week	Network	£m								●
Customer Sessions per week	Network	#								●
Mails/Retail/Lottery Gross Income	MR/L	£m								●
YoY Volume Growth in Labels	MR/L	%								●
Banking Gross Income	C&B	£m								●
YoY Volume Growth in Withdrawals	C&B	%								●
YoY Volume Growth in Deposits	C&B	%								●
Payments Gross Income	PS	£m								●
DMB Programme Benefits	Prog	£k								●
DMB Programme Costs	Prog	£k								●
Network Numbers	Network	#								●
Network and Customer										
New Network Locations (#)	Prog	#								●
Customer Responses	RD	#								●
Qualtrics Customer Feedback: Clean and tidy (score)	RD	%								●
Qualtrics Customer Feedback: Clear Directions (Find your way) (score)	RD	%								●
Qualtrics Customer Feedback: Ease	RD	%								●
Mystery Shopper - Dangerous Goods	Mails	%								●
Mystery Shopper - Customer	Mails	%								●
Operational										
Mails Segregation	MR/L	%								●
BF SLA	C&B	RAG								●
POCA Monthly Account Closures	C&B	#k								●
ATM Availability	C&B	%								●
Mails/Retail/Lottery Project Progress	MR/L	RAG								●
Cash & Banking Project Progress	C&B	RAG								●
Payment Services Project Progress	PS	RAG								●
Parcel Shops & New Local Openings	Prog	#								●
DMB Exits	Prog	#								●
DMB Benefits (£m)	Prog	#								●
Variable Income Share: POL vs. PM Reward	RD	%								●
Average PM remuneration increases YOY	RD	%								●

IRRELEVANT

GE Monthly 11 September 2019-1/09/19

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Board Intelligence Hub template

POST OFFICE

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Appendix 2 – Retail Income by Product

Income (£m)	Period 5						YTD			FULL YEAR		
	Act	Bud	Var Bud	PY Act	Var PY	YoY%	Bud	PY	YoY%			
Parcelforce												
Special Delivery												
International Priority & Standard												
Stamps												
Labels (1st & 2nd Class)												
RM Signed For												
Home Shopping Returns												
Other Trading												
Annual Fee												
Mailwork & Mails non trading												
Total Mails												
Retail (Inc Gift cards & Other)												
Gift Vouchers branch												
WHS Retail Sales												
Total Retail												
Lottery Variable												
Camelot Fixed												
Health Variable												
Health Fixed												
Total Lottery												
Banking Services												
Card Account												
ATMs												
Total Banking												
Payment Services												
Payzone												
Total Payments												
SSK Commercial Terms												
Gross Income												

4

Appendix 3 – Customer KPIs

KPIs	SOURCE	CURRENT PERIOD (P5)	LAST PERIOD (P4)		YTD	P5 Last Year	Target
Customer Driver	VOC	85.4%	85.4%	+0.0%	85.4%	87.9%	N/A
Effort (% saying Post Office is Easy to do business with)	VOC	81.1%	81.9%	-0.8%	81.0%	84.3%	82%
Wait time Acceptability	VOC	92.3%	92.7%	-0.4%	92.3%	96.2%	N/A

Network Report and SGEIs

Author: Tracy Marshall Sponsor: Debbie Smith

Meeting date: 23rd September 2019

Executive Summary

Context

Post Office is proud of its social purpose, codified in our funding agreement with government as maintaining a network of at least 11,500 branches providing access to an agreed set of 'services of general economic interest' (SGEI). We currently receive a Network Subsidy Payment on this basis. Post Office Ltd produces a Network Report every year providing information about our network and customer accessibility. We also monitor compliance against SGEI provision on a monthly basis and report performance to UKGI. The purpose of this paper is twofold: to formally ask the Board to approve the annual Network Report for 2018/2019 and to confirm compliance with the Entrustment Letter and Funding Agreement in terms of SGEI provision.

5

Questions addressed in this report

1. What is the Annual Network Report?
2. What are our SGEIs and did we comply against them in 2018/2019?
3. What activity will take place to further assure SGEI compliance for future years?
4. What do we need to do next to progress?

Conclusion

1. The Annual Network Report provides information about the Post Office network and customer accessibility for 2018/2019 year as required under Provision 11 of the Postal Services act 2011. It demonstrates compliance against the full suite of agreed accessibility criteria and a growth in network numbers.
2. SGEI, or Services of General Economic Interest, include benefits such as pensions; passports; bill payments; postal services, and universal access to cash. Providing these SGEI products is a prerequisite of the Network Subsidy Payment (NSP) and stipulated in the Entrustment letter and Funding Agreement. Post Office Ltd met its SGEI requirements at the end of March 2019 and continues to do so.
3. An internal audit in March 2019 concluded that appropriate processes were in place to support our assertion that we were meeting our SGEI requirements but challenged the levels of assurance in place around SGEI provision. Internal Audit have been asked to review the SGEI validation process and this is underway. For future years, it is recognised that additional substantive audit work may be required to support the Board's confirmation of compliance.
4. Board sign off to both the 18/19 annual Network Report and SGEI compliance are required. Following this, the Network Report can be laid before parliament and published on our website.

*Strictly Confidential**Network Report & SGEI*

Input Sought

1. Approval to the 2019 Network Report and confirmation of compliance with the Entrustment Letter and Funding Agreement with respect to SGEI provision as at March 2019

Input Received

2. The draft Network Report has been reviewed by UKGI, Retail and Post Office Corporate Affairs. Internal Audit have also reviewed our processes

The Report

What is the need or opportunity and why now?

The significance of our network numbers and SGEI criteria

1. Post Office is unique amongst commercial businesses in having a social purpose to provide essential products and services to communities across the country, even in the thousands of locations where it is not commercially viable. We are proud to do so and have confirmed this position in our Funding Agreement with government. This makes clear that *"the Secretary of State expects POL to maintain a network of at least 11,500 Branches for the duration of the Funding Period...[of which]...at least 11,000...shall be required to provide all of the SGEI Services."*¹ SGEI, or Services of General Economic Interest, include: benefits such as pensions; passports; bill payments; postal services, and universal access to cash. A full list of these services can be found at appendix two.
2. Providing these SGEI is a prerequisite of the (up to) £160m of Network Subsidy Payment (NSP) for the period 2018-2021. Post Office ended 2018/2019 with a network of over 11,600. Government clients can and do withdraw services from branches on occasion, driving licences being one example.
3. We also have a set of 'access criteria' designed to ensure our network remains representative of the communities we serve, particularly in rural areas. These largely relate to x percent of the UK population being within y distance of a Post Office, e.g. we need to ensure that, *"99% of the population to be within 3 miles and 90% of the population to be within 1 mile of their nearest Post Office outlet."*² Details of our access criteria can be found at appendix three.

Performance against the network number target and SGEI Access Criteria

4. We consistently exceed our network numbers and network access criteria, as demonstrated by the latest figures from the Network Report and at Appendix 2.³ We also assure actual availability of SGEI across our network through operational monitoring and ongoing central analysis which identifies any issues and ensures they are both resolved in branch and noted for reporting purposes. Details of SGEI criteria and performance can be found at appendices four and five.

¹ Funding Agreement between Secretary of State for BEIS and Post Office, April 2018.

² 'Entrustment of Post Office Limited with the delivery of certain public services', UKGI letter to Post Office, 2018. Performance against the Government access criteria is measured by splitting the national population according to census output areas. Central and local government all use either Output Areas as the smallest level or Super Output Areas (slightly larger level) to calculate population.

³ We have never fallen below the target for the 6 main, proximity-based, criteria. In practice it is impossible to meet the postcode criterion at all times but we act immediately to restore service in any area covered by this requirement.

What do we propose to do and why?

Assurance processes for the Network Report and SGEI compliance

5. We will submit the annual Network Report to the Post Office Board each year for formal sign off, in advance of it being laid before parliament and published.
6. For 18/19 we are asking the Post Office Board to approve compliance with the Entrustment Letter and Funding Agreement with respect to SGEI conformance based on network provision data referred to in appendices four and five. This demonstrates that a sufficient number of branches are able to transact SGEI products and services across our network.
7. The internal audit concluded in March 2019 noted that it was unclear whether sufficient SGEI assurance processes were in place. Internal Audit have been asked to review the SGEI validation process and this is underway. The work to date has not identified any areas of concern that would result in the level of assurance provided to UKGI being overstated. It has however identified the need for SGEI requirements to be clarified, along with the need to ensure any agreement with BEIS, UKGI and other Agencies in connection with the delivery of these services are kept up to date. Actions to achieve clarity and oversight will form part of the recommendation for a more robust approach to assurance and sign-off in future years, which may include external audit activity.

5

What do we need to do next to progress?

8. Our process around the publication of the annual Network Report has already been audited and deemed robust. The internal audit on SGEI compliance is already underway and will make recommendations for the future assurance of this area. For 18/19 we are seeking approval on SGEI conformance and approval of the Network Report, to enable it to be laid before parliament and officially published.

Appendix

1. Annual Network Report for 2018/2019

See separate document.

5

2. Services of General Economic Interest provided by Post Office Ltd

	Category of Service	Service Provided
1	Processing social benefit and tax credit payments to the public.	<ul style="list-style-type: none"> • Cash payment of state benefits including state pension, child benefits and tax credits. • Issuing of vouchers to eligible asylum seekers.
2	Processing of national identity and licensing scheme applications	<ul style="list-style-type: none"> • Providing passport application forms for customers to complete and return • Checking and authentication of passport applications and supporting documentation • Capturing biometric data for Biometric Residence Permits. • Providing vehicle licence application forms for customers to complete • Receiving payment for vehicle licences and Photocard Licences • Services for the sale of Rod Fishing Licences.
3	Universal payment facilities for public utility services.	<ul style="list-style-type: none"> • Provision of facilities for payment of electricity, gas, telecommunications and water bills. Payment options include pre-payment and other budgeting schemes (e.g. savings stamps). • Provision of facilities for payment of tax bills and social housing rents.
4	Access to postal services	<ul style="list-style-type: none"> • Provision of access to postal services which the universal service provider (Royal Mail Group Limited) is required to provide under regulatory conditions and directions issued by OFCOM in accordance with section 36 of the Postal Services Act 2011 and the designated Universal Service Provider Conditions issues by Ofcom 27 March 2012
5	Universal access to basic cash and banking facilities and Government savings instruments, especially for rural customers and those on social benefits.	<ul style="list-style-type: none"> • Provision of basic community banking facilities (cashing of cheques, cash deposit, Post Office card account and automated cash withdrawals and deposits) and cash transmission facilities (postal orders), in particular to socially excluded customers. This includes deposits and withdrawals of cash by businesses local to Post Office branches. • Access to certain Government savings instruments

3. Performance against Network Accessibility Criteria

Accessibility Performance						
Criteria	National					Local
	Total Population within 3 miles	Total Population within 1 mile	Deprived Urban Population within 1 mile	Urban Population within 1 mile	Rural Population within 3 miles	Postcode Districts with less than 95% Population within 6 miles
Target	99%	90%	99%	95%	95%	0
Performance	99.7%	92.7%	99.4%	98.2%	98.7%	3*

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*We have never fallen below the target for the 6 main, proximity-based, criteria. In practice it is impossible to meet the postcode criterion at all times but we act immediately to restore service in any area covered by this requirement.

4. SGEI product categories and performance against network coverage requirements

Network coverage of SGEIs (Services of General Economic Interest)				
Category	Category of Service	Number of branches required	Number of branches where service is available	RAG
1	Processing social benefits and tax credit payments to the public	11,000	11,491	
2	Processing of national identity and licensing scheme applications	11,500	Client contract dependent	
3	Universal payment facilities for public utility services	11,500	11,625	
4	Access to postal services	11,500	11,625	
5	Universal access to basic cash and banking facilities, especially for rural customers and those on social benefits	11,000	11,491	

5. Category 2 SGEI provision

Category 2 breakdown							
Branch type	No of branches at end 03/2019	UK Visa and Immigration (UKVI)	Driver and Vehicle Licensing Agency (DVLA)	Photocard Driving Licence (DL)	Passport Services (IPS)	Rod Fishing Licences (Environment Agency)	
MAIN	3,402	29	3,399	533	2,115	3,000	
LOCAL	3,965	0	1,193	0	12	3,238	
DMB	191	74	191	137	191	171	
Traditional	2,447	0	651	31	128	1,998	
Outreach	1,633	0	678	0	237	1,246	
Total	11,638	103	6,112	701	2,683	9,653	

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Network Report & SGEI

Tab 5 Network i) Services of General Economic Interest (SGEI) Compliance ii) Network Report

Category 2 Accessibility Performance against contractual obligations					
Distance	Population Type	% Population Targets	Total Number of Branches	Driver and Vehicle Licensing Agency (DVLA)	Passport Services (IPS)
10 miles	Total	99.00%	2,683		99.59%
5 miles	Total	95.00%			96.60%
3 miles	Urban	95.00%	6,112	99.98%	
5 miles	Rural	90.00%		98.43%	

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The Post Office Network Report 2019

5

PRESENTED TO PARLIAMENT PURSUANT TO SECTION 11
OF THE POSTAL SERVICES ACT 2011

Tab 5 Network i) Services of General Economic Interest (SGEI) Compliance ii) Network Report



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The Post Office Network Report 2019

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PRESENTED TO PARLIAMENT PURSUANT TO SECTION 11
OF THE POSTAL SERVICES ACT 2011



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About this report

This report provides information about the Post Office network and customer accessibility at the end of March 2019 as required under Provision 11 of the Postal Services Act 2011. It is sent to the Secretary of State for Business, Energy & Industrial Strategy who will lay a copy of the report before Parliament. Specific information in this report for the network at the end of March 2019 is provided in accordance with the requirements of the legislation. The report also continues yearly data sets which have been published in previous years.

Further information on Post Office Limited can be found at corporate.postoffice.co.uk including the Annual Report and Financial Statements.

Size and make-up of the network

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The Post Office network serves communities, individuals, families and businesses. It is a key element of the UK’s infrastructure; meeting the need for postal, financial, government and telecoms services.

Maintaining the size and accessibility of the network is a key policy aim of Post Office Limited and at the end of March 2019 there were 11,638 branches. Based in local communities, the Post Office has a unique reach across all areas of society - for example almost 93% of people in the UK live within a mile of a Post Office branch, 99.7% within three miles and 99.4% of those living in deprived urban communities live within a mile of a Post Office branch.

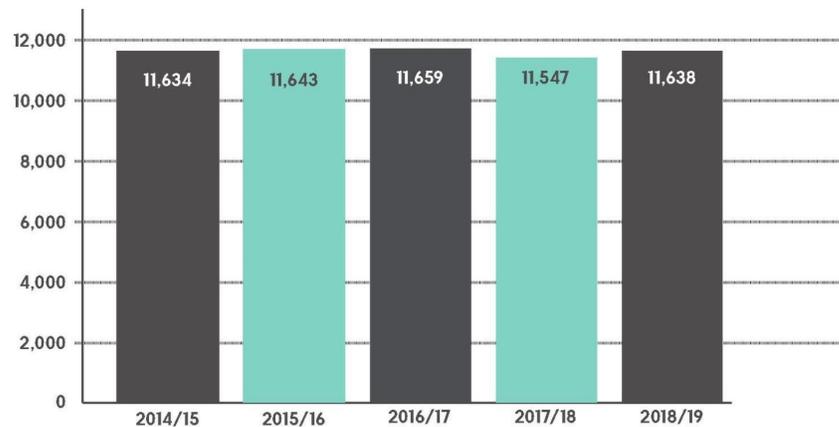
At the end of March 2019, there were 191 Directly Managed branches that are run by Post Office Limited employees. The remainder of the network is made up of 11,447 branches that are run on an agency basis.

Amongst the Post Office branches operated

on an agency basis there are different Post Office branch models. These range from outreach services (typically small part-time branches using a village hall or a mobile van which enable services to continue to be provided to communities which would not otherwise receive them), through to Post Office branches run by independent postmasters alongside their retail offer, and larger franchise branches (for example those operated by the Spar or WH Smith).

In recent years the Post Office has opened branches in communities where we do not currently provide services, so that we can reach new customers. In 2018/19 there were 328 new branches opened to help ensure the network continues to meet customer needs and expectations.

Number of Post Office branches



Quarterly change in network size over recent years

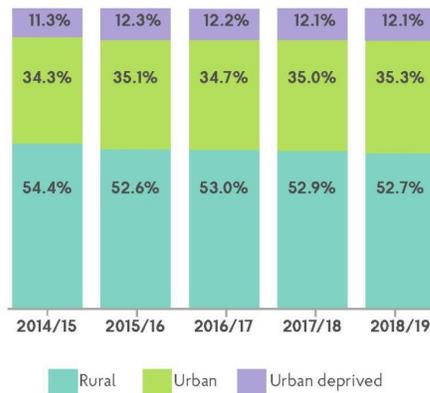
Date	Total	Net change	quarterly change
31.03.14	11,696	-22	-0.19%
31.06.14	11,686	-10	-0.09%
30.09.14	11,631	-55	-0.47%
31.12.14	11,627	-4	-0.03%
31.03.15	11,634	7	0.06%
30.06.15	11,597	-37	-0.32%
30.09.15	11,566	-31	-0.27%
31.12.15	11,609	43	0.37%
31.03.16	11,643	34	0.29%
30.06.16	11,648	5	0.04%
30.09.16	11,645	-3	-0.03%
31.12.16	11,633	-12	-0.10%
31.03.17	11,659	26	0.22%
31.06.17	11,582	-77	-0.66%
31.09.17	11,559	-23	-0.20%
31.12.17	11,536	-23	-0.20%
31.03.18	11,547	11	0.10%
30.06.18	11,592	45	0.39%
30.09.18	11,557	-35	-0.30%
31.12.18	11,575	18	0.16%
31.03.19	11,638	63	0.54%

Change in Post Office branches by region in 2018/19

Region	No. of branches at end of March 2018	No. of branches at end of March 2019	Net Variance	% of loss/gain
North East	490	497	7	1.4
North West	1,119	1,111	-8	-0.7
Yorkshire and The Humber	951	951	0	0
West Midlands	900	910	10	1.1
South West	1,268	1,283	15	1.2
South East	1,373	1,382	9	0.7
London	662	675	13	2.0
East of England	1,116	1,134	18	1.6
East Midlands	879	879	0	0
Northern Ireland	485	498	13	2.7
Scotland	1,398	1,388	-10	-0.7
Wales	906	930	24	2.6
Total	11,547	11,638	91	0.8

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Percentage of Post Office branches in rural, urban and urban deprived areas out of the total number of Post office branches 2014/15 to 2018/19



Regional proportion of each type of Post Office branch at the end of March 2019

	% rural		% Urban total		% Urban other		% urban deprived		% urban deprived out of all urban offices	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
North East	49.6	49.7	50.4	50.3	30.8	31.6	19.6	18.7	38.9	37.2
North West	34.6	34.6	65.4	65.4	41.6	42.0	23.8	23.4	36.3	35.8
Yorkshire and the Humber	49.3	48.6	50.7	51.4	33.4	33.6	17.2	17.8	34.0	34.6
West Midlands	40.7	40.0	59.3	60.0	41.8	42.3	17.6	17.7	29.6	29.5
South West	68.1	68.1	31.9	31.9	27.0	27.2	4.9	4.7	15.3	14.7
South East	50.4	50.0	49.6	50.0	45.4	45.8	4.2	4.2	8.4	8.4
London	1.1	0.9	98.9	99.1	80.1	80.1	18.9	19.0	19.1	19.1
East of England	61.0	60.8	39.0	39.2	35.3	35.7	3.7	3.5	9.4	9.0
East Midlands	61.8	61.5	38.2	38.5	30.1	30.5	8.1	8.0	21.1	20.7
Northern Ireland	66.4	65.7	33.6	34.3	15.7	16.3	17.9	18.1	53.4	52.6
Scotland	65.6	65.6	34.4	34.4	24.0	24.1	10.4	10.4	30.4	30.1
Wales	68.3	68.4	31.7	31.6	17.5	17.6	14.1	14.0	44.6	44.2
Total	52.9	52.7	47.1	47.3	35.0	35.3	12.1	12.1	25.8	25.2

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Regional changes in rural Post Office branch numbers.

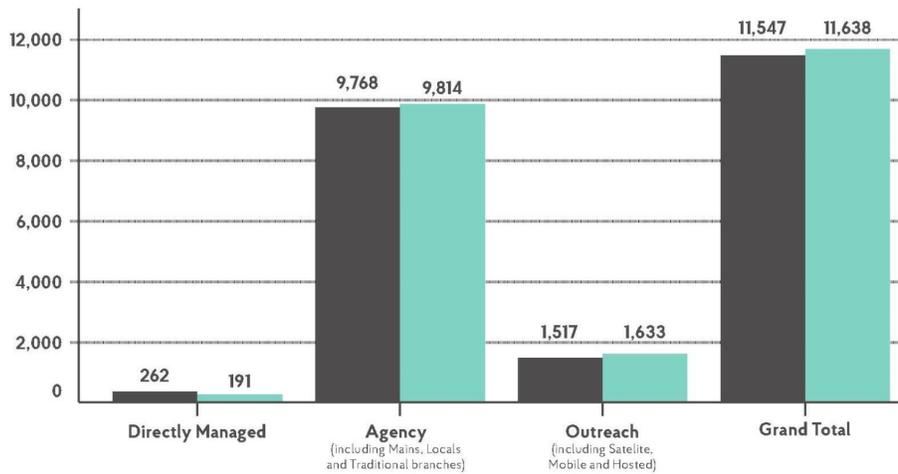
Region	Rural at end of March 2018	Rural at end of March 2019	Net change	% of loss/gain
North East	243	247	4	1.6
North West	387	384	-3	-0.8
Yorkshire and The Humber	469	462	-7	-1.5
West Midlands	366	364	-2	-0.5
South West	864	874	10	1.2
South East	692	691	-1	-0.1
London	7	6	-1	-14.3
East of England	681	689	8	1.2
East Midlands	543	541	-2	-0.4
Northern Ireland	322	327	5	1.6
Scotland	917	910	-7	-0.8
Wales	619	636	17	2.7
Total	6,110	6,131	21	0.3

Regional changes in urban Post Office branch numbers

Region	Urban deprived at the end of March 2018	Urban deprived at the end of March 2019	Net change	%loss/gain	Urban other at the end of March 2018	Urban other at the end of March 2019	Net change	%loss/gain	Urban total at the end of March 2018	Urban total at the end of March 2019	Net change	%loss/gain
North East	96	93	-3	-3.1	151	157	6	4.0	247	250	3	1.2
North West	266	260	-6	-2.3	466	467	1	0.2	732	727	-5	-0.7
Yorkshire and The Humber	164	169	5	3.0	318	320	2	0.6	482	489	7	1.5
West Midlands	158	161	3	-1.9	376	385	9	2.4	534	546	12	2.2
South West	62	60	-2	-3.2	342	349	7	2.0	404	409	5	1.2
South East	57	58	1	1.8	624	633	9	1.4	681	691	10	1.5
London	125	128	3	2.4	530	541	11	2.1	655	669	14	2.1
East of England	41	40	-1	-2.4	394	405	11	2.8	435	445	10	2.3
East Midlands	71	70	-1	-1.4	265	268	3	1.1	336	338	2	0.6
Northern Ireland	87	90	3	3.4	76	81	5	6.6	163	171	8	4.9
Scotland	146	144	-2	-1.4	335	334	-1	-0.3	481	478	-3	-0.6
Wales	128	130	2	1.6	159	164	5	3.1	287	294	7	2.4
Total	1,401	1,403	2	0.1	4,036	4,104	68	1.7	5,437	5,507	70	1.3

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Post Office branches by model types in 2017/18 and 2018/19



Accessibility of the network

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The Post Office is committed to meeting the accessibility criteria that were originally laid down by the Government in 2007, and have been reconfirmed by successive Governments since.

The criteria cover UK wide accessibility for total, urban, rural and urban deprived populations. Moreover, they ensure a strong geographical distribution of Post Office branches by including a separate criterion that works at postcode district level. There are around 3,000 geographic level postcode districts throughout the UK (an example would be the HP22 part of the postcode).

Wide coverage across the UK ensures that the Post Office is accessible for all. This is the case for the population as a whole, and also for specifically analysed groups such as the elderly, disadvantaged, those on low incomes and those with disabilities. It is also the case for small businesses, where the Post Office acts as a key national infrastructure supporting this important and growing part of the economy.

Compliance with Government's minimum network access criteria, at the end of March 2019

The Government's national access criteria are:

1. 99% of the UK population to be within three miles of their nearest Post Office outlet
2. 90% of the UK population to be within one mile of their nearest Post Office outlet
3. 99% of the total population in deprived urban areas across the UK to be within one mile of their nearest Post Office outlet
4. 95% of the total urban population across the UK to be within one mile of their nearest Post Office outlet
5. 95% of the total rural population across the UK to be within three miles of their nearest

Post Office outlet

In addition, the following criterion will apply at a local level to ensure a minimum level of access for customers living in remote rural areas.

6. 95% of the population of every postcode district to be within six miles of their nearest Post Office outlet

The results against these access criteria are shown in the table opposite.

The Post Office measures the performance of the network against the Government access criteria by breaking down the population across the country into census Output Areas (OAs). Accessibility is calculated by measuring the distance of the centre (population weighted centroid) of the OA to its nearest Post Office access point.

The total national accessibility is then calculated by adding the total population of each of the census OAs deemed to meet the criterion divided by the total population as a whole expressed as a percentage.

Urban, Urban Deprived and Rural accessibility is measured by taking account of OAs classified as Urban, Urban Deprived and Rural respectively only.

The Post Office provides Citizens Advice with the location co-ordinates of all individual open and trading Post Office branches. This is the same core data upon which the accessibility results are based.

Accessibility Performance

Criteria	Total Population within 3 miles	Total Population within 1 mile	Deprived Urban Population within 1 mile	Urban Population within 1 mile	Rural Population within 3 miles	Postcode Districts with less than 95% Population within 6 miles
Minimum requirement	99%	90%	99%	95%	95%	0
2018/19 Performance	99.7%	92.7%	99.4%	98.2%	98.7%	3*

*The Postcode District (PCD) accessibility can be impacted by a single branch not providing service at the time of the reporting. In this instance there were service issues affecting 3 PCDs and the position on each is as follows:

HS8 The service at Howmore is experiencing service issues. This is a very deep rural location which makes serving the area difficult but the Post Office continues to work on this.

PA21 Kames and Tighnabruich Post Offices were not trading at the time of the report, but both were then subsequently covered with a mobile van service and a new PO Local service has now opened at Kames.

PH38 - Acharacle Post Office was not able to provide outreach services to Glenfinnan and Lochailort at the time of the report. The locations for the outreaches are in hotels. At Lochailort, the hotel operates on a seasonal basis and the service is now available. Glenfinnan is no longer available for use for the Post Office outreach service.

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Accessibility to the Post Office branch network for key groups across the UK at the end of March 2019

The Postal Services Act 2011 (Provision 11) also requires reporting on Post Office network access for a number of user groups over and above the established Government Access Criteria as follows:

- Small businesses
- Disadvantaged individuals
- Individuals on low incomes
- Individuals with disabilities
- Individuals over the age of 65

The 2019 accessibility results for each of these categories are shown in this chart:

Criteria	Population within 1 mile of a Post Office branch	Population within 3 miles of a Post Office branch
Small businesses	92.9%	99.7%
Disadvantaged individuals	98.8%	99.9%
Individuals with incomes (<10k)	97.5%	99.9%
Individuals with incomes (<20k)	97.6%	99.9%
Individuals with disabilities	95.2%	99.8%
Individuals over the age of 65	91.6%	99.6%

CAMEO Income data is a Postcode level classification system for identifying GB consumers based on likely household income.

This accessibility reporting is over and above the Government Network Access Criteria. The analysis has been conducted by Post Office Ltd's in-house Geographic Modelling Team based on the network of open Post Office branches at end of March 2019. Key data sets used in the analysis to identify the key user groups were as follows:

Small businesses

UK business locations from SimpleGeo (2011).

Disadvantaged individuals

Based on the various Indices of Multiple Deprivation available for England, Scotland, Wales and Northern Ireland as of 2014 at Output Area level.

Individuals on low incomes

Based on CAMEO Income data which categorises each Output Area within the UK as one of 8 income bandings (8 = Less than £10k, 1 = More than £100k). (CAMEO Income has been calibrated against key market research reports such as the Expenditure and Food Survey and the New Earnings Survey).

Individuals with disabilities

Based on data (for England, Wales & Scotland) taken from the Office for National Statistics 'NOMIS' facility which provides the November 2013 count of Disability Living Allowance claimants lower Super Output Area. For Northern Ireland, data was taken from the Department of Social Development's Northern Ireland Neighbourhood Information Service (NINIS) website at Output Area level.

Individuals over the age of 65

Based on the 2011 Census population broken down by age at Output Area level.

With the exception of the Small business data which is based on actual locations (to the nearest 50 metres), the network accessibility for these specific groups was measured using the same methodology as the measure of the network against the Government Access Criteria - by breaking down the individual populations across the country into census Output Areas (OAs) and by calculating accessibility by measuring the distance of the centre (population weighted centroid) of the OA to its nearest Post Office access point.

Products and services available at the Post Office

Government Services The Post Office offers a range of services for customers on behalf of Government Departments and Councils including applications, payments, identity verification, data capture and information services - available in a range of branches across the network.

Service	Availability	Description
Post Office Card Account	All branches	A basic account for customers who are in receipt of state pensions, benefits or tax credits. Payments are made into the account by the paying department and customers can withdraw cash at all Post Office branches or the Post Office cash machine network.
Local council services	Local Area based	The Post Office provides services on behalf of over 300 local councils covering a wide range of applications and payment services both from and to residents and customers. Services include cash collection from residents for rents, rates, council tax, parking fines and licence fees, payment services including asylum seekers allowances, emergency welfare payments and rebates; form checking including benefits, planning and concessionary travel applications and identity checking and verification services.
Car Tax – Motor Vehicle Licence Issue	Selected branches	Car Tax - Motor Vehicle Licence and Statutory Off Road Notification (SORN) services provided. Customers can have their documents checked and renew their car tax at over 5,000 Post Office branches nationwide.
Driving Licence photocard renewal	Selected branches	The photo on the DVLA photocard licence has to be renewed every 10 years. The DVLA Photocard Renewal service at the Post Office helps save time and makes sure the photocard renewal application meets DVLA requirements by taking a photo to the required DVLA standards, capturing an electronic signature and sending the data electronically and securely to the DVLA.
International driving permit	Selected branches	Applications can be made in selected branches for an International Driving Permit which is required to drive legally in many places overseas alongside a UK driving licence.
Passport Check & Send	Selected branches	Customers can take their passport applications to a Post Office that provides the check and send service where the application form and documentation are checked to ensure that everything is correct. The application is then despatched by Royal Mail Special Delivery. Passport application forms are available from Post Office branches offering the Passport Check & Send service.
Identity checking services	Selected branches	Customers who need to have photocopies of identity documents certified (for example when applying for a mortgage, bank account or new job), can have original documents checked and photocopies certified at the Post Office.
Biometric Residence Permit	Selected branches	Customers who need to apply to stay in the UK who are from outside the European Economic Area (EEA) may need to apply for a Biometric Residence Permit and can do so at selected Post Office branches if they receive an invitation letter from the Home Office. The Post Office captures the customer's biometric details by taking their photograph, fingerprints and digital signature and sends the information securely to the Home Office.
Biometric Residence Permit collection service	Selected branches	Customers who have processed their application for a Biometric Residence Permit prior to entering the UK can apply to collect the permit from selected Post Office branches.
GOV.UK Verify service	On-Line only	Customers seeking access to services on GOV.UK are able to do so via Post Office's Verify service. The Post Office is one of eight companies offering this form of identity assurance. Once verified customers are able to use a single username and password to access a growing number of services across government. The service is only available online.
CQC – CRB registration service	Selected branches	The Care Quality Commission (CQC) is the independent regulator of all health and social care services in England. Customers who need a Criminal Records Bureau (CRB) check from the CQC can get their application checked at the Post Office to verify their identity.
Rod fishing licences	All branches based on demand	A range of rod licences can be paid for in branches where there is a local demand in England, Wales and the border region of Scotland.

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Further information on the products and services available from Post Office can be found at postoffice.co.uk or by calling 0345 611 2970.

Products and services available at the Post Office

Mails A range of Royal Mail Group Limited and Parcelforce Worldwide services are available from Post Office branches nationwide.

Service	Availability	Description
Letter and Document Services	All branches	UK and international letter and document delivery options available. Delivery options include fast and secure with end-to-end tracking, a signature taken on delivery, or a standard delivery for less urgent items.
UK Parcels Guaranteed	All branches	Guaranteed UK Parcel services are ideal for a valuable gift or important item that absolutely has to be there tomorrow: Royal Mail Special Delivery Guaranteed by 9am® Royal Mail Special Delivery Guaranteed by 1pm® Parcelforce Worldwide express ²⁴ (available in selected branches) Parcelforce Worldwide express ⁹ (available in selected branches), express ¹⁰ and express ^{AM} (available in selected branches) Ireland ^{express} (selected branches)
UK Parcels Confirmed	All branches	Confirmed UK parcel services provide extra peace of mind of proof of delivery with a signature: Royal Mail Signed For® 1st Class Royal Mail Signed For® 2nd Class Parcelforce Worldwide express ⁴⁸ Parcelforce Worldwide express ⁴⁸ large – selected branches only
UK Parcels Standard	All branches	Standard UK parcel services are reliable and easy to use and offer a range of delivery options for non-valuable items: Royal Mail 1st Class Royal Mail 2nd Class Parcelforce Worldwide express ⁴⁸ Parcelforce Worldwide express ⁴⁸ large – selected branches only
International Parcels Guaranteed	Selected branches	Guaranteed international parcel services are ideal for fast and secure international parcel delivery, with the added security of end-to-end tracking and online confirmation of delivery: Parcelforce Worldwide global ^{express} Parcelforce Worldwide global ^{priority}
International Parcels Confirmed	All branches	Confirmed international parcel services for extra peace of mind with tracking or signature on delivery: Royal Mail International Tracked®- Royal Mail International Signed®, Royal Mail International Tracked & Signed
International Parcels Standard	All branches	Standard International parcel services are reliable and easy to use and offer a range of delivery options: Royal Mail International Standard Royal Mail International Economy Parcelforce Worldwide global ^{value} (available in selected branches) Parcelforce Worldwide global ^{economy} (available in selected branches)
Drop & Go	Most branches	Drop & Go – a free, fast-track service aimed at small businesses, online sellers and anyone sending mail regularly. Customers top-up a prepaid card online or in-branch, drop-off their items in branch and 'go'. The branch will process their items on the same day they are dropped-off, deducting funds from the customers' card as they go and the customer can view their transaction history and manage their account online.
Additional postage services	All branches	Articles for the Blind, HM Forces letters (British Forces Post Office) etc.
Philatelic	Selected branches	Royal Mail special issue stamps and associated products, such as presentation packs and first day covers (stocked based on demand).
Local Collect/ Convenient Delivery	Most branches	Undelivered postal items are taken to the nearest participating Post Office by the postal delivery staff for later collection or customer has opted for the collection at their local Post Office branch.
Click & Collect/ Convenient Collect	Most branches	Online ordering available for delivery to their local Post Office branch.
Home Shopping Returns	All branches	Acceptance of Royal Mail Home Shopping Returns and Tracked Returns which can be accepted as a pre-printed label or QR code driven where the label is printed in branch (selected retailers only).
Redirection	All branches	Mail redirection service for customers who are moving home.

Products and services available at the Post Office

Telecoms The Post Office offers a range of telephony products including Homephone products and Broadband services.

Service	Availability	Description
Home Phone	Most branches	Affordable line rental service with Unlimited weekend calls to UK landlines and low call rates. 12 month contract. Simple application process at most Post Office branches, online or by phone.
Unlimited Broadband	Most branches	Totally Unlimited Broadband, Average peak time speed: 11Mb, Wi-Fi router and Unlimited weekend calls to UK landlines. Choice of contract lengths available. Simple application process at most Post Office branches, online or by phone.
Unlimited Fibre Broadband	Most branches	Totally Unlimited Broadband, Average peak time speed: 36Mb, Fibre Wi-Fi router and Unlimited weekend calls to UK landlines. Choice of contract lengths available. Simple application process at most Post Office branches, online or by phone.
Unlimited Fibre Broadband Plus	Most branches	Totally Unlimited Broadband, Average peak time speed: 63Mb, Fibre Wi-Fi router and Unlimited weekend calls to UK landlines. Choice of contract lengths available. Simple application process at most Post Office branches, online or by phone.
UK & International Phone cards	Most branches	UK International calling card offering cheap calls to national and international destinations.
Mobile E top-ups	All branches	Top-up service for all pre-pay mobile providers.
Post Office Directory Enquiries (118 855)		Customers can save money by using a more affordable alternative to more costly 118 services. One flat rate service charge for one number enquiry.

Financial Services The Post Office offers a range of financial services products including banking, foreign exchange, bill payment and savings and investment products.

Service	Availability	Description
Personal banking and Business banking	All branches	Post Office offer a range of core services – cash deposit, cash withdrawal, change giving and cheque handling – in a standardised and sustainable manner, to virtually every Personal, SME and Business customer of almost every UK bank. These services are provided through a 'Banking Framework' which has been established to ensure continuity, standard service and consistent operational provision to each participating bank.
Cash machines	Selected Branches	Around 2,400 free-to-use cash machines are available at Post Office branches nationwide.
Bureau de Change	All branches	A wide range of commission free currencies and the Post Office Multi-Currency card, 3,600 branches offer a range of currencies on demand. An additional 1,400 branches offer Euro and Dollars on demand as well as Turkish Lira in the Summer with a further 4,000 offer Euros on demand. Currencies can be pre-ordered in any Branch or Online for collection at any branch.
Travel Insurance	Selected Branches	Single Trip, Annual Multi-Trip and Backpacker products available. Premier Travel Insurance available in selected Post Office branches. The full Travel Insurance range, including Super Economy, Economy, Standard, Premier and Premier Plus available on-line and over the phone
Travel Money Card	Selected branches	Post Office Multi-Currency Travel Money Card offers the security of travellers' cheques with the convenience of plastic making it a secure, convenient way to carry foreign currency. You can load the card with up to 13 Currencies – including Euro, US Dollar and Sterling – and then use it in restaurants and bars around the world that welcome Mastercard. The Travel Money Card App makes it easy to Top up, check balances and recent transactions.
Moneygram	Selected branches	International money transfer service, customers can send money to over 200 countries, with the cash available in minutes worldwide. Available in around 6,500 branches.
Bill payments	All branches	Acceptance of payment and pre-payment towards a variety of bills including gas, electricity, water, phone, council rent, mail order and insurance. (Some schemes available on an area basis as agreed with local authorities.) In October 2018 Post Office announced its acquisition of Payzone Bill Payments Limited which is now part of the Post Office Group.

Products and services available at the Post Office

Service	Availability	Description
Paystation and charging of electricity and gas meter tokens	All branches	To charge electric keys, Quantum Gas Cards, and mobile phone top ups. (Stocks of electricity tokens for meters are also available in selected branches based on local schemes.)
Mortgages	On-line or by phone	Post Office offers a comprehensive range of mortgages for first-time buyers, home movers and re-mortgages, applications can be made on-line or by phone.
Credit Card	Information in some branches, apply online	The Post Office Money Credit Cards offers a range of credit cards offering a range of features and benefits. Information is available in some branches and customers can apply online.
Personal Loans	Online only	The Post Office Money personal loan offers flexible borrowing between £1,000 and £25,000 with fixed monthly payments.
Online Saver	Online only	The Online Saver offers easy access with no notice and no penalty and unlimited withdrawals.
Online Bond	Online only	The Online Bond offers 1, 2, 3 year terms with a guaranteed fixed return.
ISA	In branch, on-line, by phone or post depending on the product	The Post Office offers an Online ISA, an Easy Access Cash ISA, a Fixed Rate Cash ISA and a Junior ISA.
Instant Saver	Selected branches	Easy access variable rate product with a bonus for the first 12 months. Apply by post or at selected Post Office branches. Access to over 60,000 LINK cash machines.
Growth Bonds	Selected branches	Fixed term bond product offering 1, 2 & 3 yr terms. Apply by post, or at main Post Office branches.
Motor Insurance	On-line and via the phone*	Car, motorbike and van insurance can be purchased on-line and over the phone. Information is also available in branches, information and quotations are also available via price comparison websites.
Home Insurance	On-line and via the phone*	Home Insurance can be purchased on-line and over the phone. Information is also available in branches. Information and quotations are also available via price comparison websites.
Life Insurance and Over 50s Life cover	On-line and via the phone*	Life Insurance can be purchased on-line and via the phone. Post Office branches hold information to introduce the service to customers.
Pet Insurance and Business Insurance	On-line and via the phone*	Pet Insurance and Business Insurance can be purchased on-line and via the phone. Post Office branches hold information to introduce the service to customers.

* information available in branches

Bank account services available at Post Office branches

Bank / Building Society	Cash withdrawal (with card and PIN)	Balance enquiry (with card and PIN)	Cash deposit (with card, barcoded slip or with personalised paying-in slip from your bank, depending on your bank)	Cheque deposit (with personalised paying-in slip and deposit envelope)
Cashplus	Yes	Yes	Yes	No
Allied Irish Bank	Yes	Yes	Yes	Yes
Bank of Ireland	Yes	Yes	Yes	Yes
Bank of Scotland	Yes	Yes	Yes	Yes
Barclays	Yes	Yes	Yes	Yes
cahoot	Yes	Yes	Yes	Yes
Clydesdale Bank	Yes	Yes	Yes	Yes
Danske Bank	Yes	Yes	Yes	Yes N. Ireland only
First Direct	Yes	Yes	Yes	Yes
First Trust Bank	Yes	Yes	Yes	Yes
Halifax	Yes	Yes	Yes	Yes
Handelsbanken	Yes	Yes	Yes	No
HSBC	Yes	Yes	Yes	Yes
Lloyds Bank	Yes	Yes	Yes	Yes
Metro (business customers)	No	No	Yes	Yes
Nationwide Building Society	Yes	Yes	No	No
NatWest	Yes	Yes	Yes	Yes
Santander	Yes	Yes	Yes	Yes
Smile	Yes	Yes	Yes	Yes
Starling Bank	Yes	Yes	Yes	No
The Co-operative Bank	Yes	Yes	Yes	Yes
The Royal Bank of Scotland	Yes	Yes	Yes	Yes
Think Money	Yes	Yes	Yes	Yes - Deposit slip not required
TSB Bank	Yes	Yes	Yes	Yes
Ulster Bank	Yes	Yes	Yes	Yes
Virgin Money	Yes	Yes	Yes	No
Yorkshire Bank	Yes	Yes	Yes	Yes

Royal Mail Group Limited products, stamps and services available at Post Office branches* (end March 2019)

1st class stamps (individual)	Parcelforce Worldwide global priority	Parcelforce Worldwide Contract / Prepaid 9
2nd class stamps (individual)	Parcelforce Worldwide British Forces Post Office parcels	Parcelforce Worldwide Contract / Prepaid 10
Other stamps	Parcelforce Worldwide ireland express	Parcelforce Worldwide Contract / Prepaid 12
1st class stamp book	Parcelforce Worldwide consignment subsequent item	Parcelforce Worldwide Contract / Prepaid 24
2nd class stamp books	Special Stamps Sheets	Parcelforce Worldwide Contract / Prepaid 48
Stamps books vending	Coin Covers	Parcelforce Worldwide Contract / Prepaid global express
Royal Mail Signed For [®] Stamp	Commemorative, Smiler Sheets	Parcelforce Worldwide Contract / Prepaid global priority
Royal Mail Special Delivery Guaranteed [®] Stamp	First day envelopes	Parcelforce Worldwide Contract / Prepaid ireland express
First Class Labels	Mini Sheets	Parcelforce Worldwide Contract / Prepaid British Forces Post Office Parcels
Second Class Labels	Presentation packs	Articles for the Blind
Royal Mail Signed For [®] 1st Class (sale and accept)	Prestige Stamp Books	Parcelforce Worldwide eu priority return
Royal Mail Signed For [®] 2nd Class (sale and accept)	Special Stamps Retail Books	Parcelforce Worldwide Contract eu returns
Royal Mail Special Delivery Guaranteed by 9am [®] (sale and accept) – also with Saturday Guarantee	Stamps Cards	Parcelforce Worldwide contract eu priority (Parcelforce Contract Global priority)
Royal Mail Special Delivery Guaranteed by 1pm [®] (sale and accept) – also with Saturday Guarantee	Annual products including Yearbook / Yearpack	Overseas stamped mails
International Standard	Christmas Stamps Retail Books	Overseas meter mails
International Tracked [®] (sale and accept)	Convenient Delivery	
International Signed (sale and accept)	International Reply paid Coupons (redemption only)	
International Tracked & Signed (sale and accept)	Local Collect	
International Economy	Poste Restante	
Redirection / International Redirection – consumer		
Redirection / International Redirection – business	<i>The following products are also accepted at Post Office branches</i>	
Special Circumstances redirection	On Line Postage (parcels)	
Home Shopping Returns/parcel returns/returns high volume/Labels to Go	On Line Postage (letter)	
HM Forces letters (British Forces Post Office <2kg)	1st class/2nd class letter stamped items	
Parcelforce Worldwide express 9	1st class/2nd class Small and Medium Parcels Meters (franked) pouches	
Parcelforce Worldwide express 10	1st class/2nd class letter (franked) mail	
Parcelforce Worldwide express AM	1st class/2nd class Small and Medium Parcels (franked mail)	
Parcelforce Worldwide express 24	Bulk postings franked mails	
Parcelforce Worldwide express 48	Bulk postings stamped mails	
Parcelforce Worldwide express 48large	Postage Paid Impression bagged mails	
Parcelforce Worldwide Sundayexpress	Prepaid Stationery	
Parcelforce Worldwide global value	Special delivery Business Response by 9am	
Parcelforce Worldwide global express	Special delivery Business Response by 1pm	
Parcelforce Worldwide global economy	Response services (FREEPOST & BUSINESS REPLY)	
	International Business Response Service (Outbound)	

* Some services are only available at selected branches



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Performance Review – Health & Safety

Authors: Martin Hopcroft

Sponsor: Mo Kang

Meeting date: 12th Sep 2019

Executive Summary

Context

Keeping our employees healthy and safe is our legal responsibility and is fundamental to our success.

Our Health & Safety performance has improved significantly over the past 6 years. We have a rolling 3-year plan to drive compliance, targeting a reduction in safety metrics including accidents; lost time accidents (LTIFR); days lost; and personal injury claims.

Our H&S reporting and safety management system is measured against the externally recognised standard, OHSAS 18001 and performance is reported monthly to the Group Executive and at each Board meeting.

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Questions addressed in this report

1. What are the trends on accidents and on violence across Post Office?
2. Are there any significant risks emerging and what are we doing to mitigate?

Conclusion

The prevention of accidents has improved materially year on year, see 5yr performance chart below. At P5 we forecast LTIFR (Lost Time Incident Frequency Ratio) to out turn 0.174, on track to meet our target for 19/20 of 0.178. Whilst we have also seen a reduction in year on year robberies and CVIT incidents, an increase in violent robberies earlier last year, the presence of firearms and a number of ATM rip-outs raised our concerns. We continue to review trend and continue to with a programme to install additional equipment in higher risk locations including fogging, CCTV cameras

Year/KPI	15/16	16/17	17/18	18/19	19/20
					Forecast
All accidents	198	129	112	81	79
All accidents/1000	29.3	21.0	22.0	16.9	20.0
Absence accidents	38	16	21	15	12
Absence Accs/1000	5.62	2.61	4.13	3.14	5.05
LTIFR	0.367	0.168	0.271	0.184	0.174
Days lost due to accidents	792	259	480	245	242
Days lost/1000	117	36	94	51	61
RIDDOR	14	9	14	7	0

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Network robberies currently show a 30% increase YOY (12 month rolling, 150 v 115). Injuries remain comparable to last year YTD (4 vs 3), with approx. 1 injury per 10 incidents. Injuries include cleaning fluid being sprayed, a small cut to shoulder, and a minor puncture wound from a blade. Weapons are seen in approx. 57% of incidents, (although this rose to 82% in P4 which was consistent with P4 18/19), 63% of these being blades. We continue to see positive results in the 'High Risk' robbery programme where we are installing fogging and IP cameras. Criminal activity in known hotspot areas has seen recent increases in Greater Manchester & West Yorkshire. In P4, an incident involved suspects threatening the Pmr with a knife and then using the keys being carried by the Pmr to enter the fortress where the safe was open. Another incident where the suspect jumped over the counter and threatened the clerk with a knife and took cash from the tills. Local Safercash meetings have been attended allowing networking opportunities with other industry players. There have been 49 Operation Torch visits undertaken by the Security team, primarily in high risk and hot spot locations and 74 other security related visits (including post incident), undertaken to the network during the period to support, educate, assist and inform.

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ATM gas attacks are showing signs of slowing, partly due to successful gas suppression activations and lower cash holdings. On average, Oct 18 to Feb 19, there were 6 attacks per month, and an average monthly loss of £181k. Mar 19 to May 19 saw an average of 3 attacks per month and average monthly losses of £30k. There were 4 unsuccessful gas attacks due to prior installation of Gas Suppression units and 1 unsuccessful Ram Raid in period 4 (July). We have installed 589 Gas Suppression kits (GSK), as part of ongoing ATM protection programme (99% complete) and approximately £405k saved as part of ongoing ATM reduced holdings initiative (not counting GSK successful deployments). 4 people have been found guilty in relation to the ATM attack at Heaton Moor PO in February. Court date for sentencing 28/10/2019 Chace PO, CV3 3DP suffered a robbery (25/07/18) after the staff locked the door and began filling the ATM. Masked men used a battering ram to smash through the glass front door to gain entry, the loss was £66k. 3 defendants have been sentenced to a total of 41 years. ATM gas attack crime is very dynamic, with criminals quickly moving to lower risk geographical areas. Significant trends on the continent include using solid explosives, a trend likely to increase in the UK which makes our roll-out of cash destruction (ink & glue) critical. The future of ATM crime is already evolving on the continent with the use of solid explosives such as TATP (used in the Manchester Arena bombing) to attack ATMs. If this type of crime targets POL in the future our proposed cash destruction solution can be upgraded to ensure criminals will not be successful in obtaining useable cash. There is currently a 3 month lead time from order to the first piece of kit being installed.

CViT robberies continue to reduce from the highs of last year, 50% down YTD (5 v 10). We have rolled out 122 body cameras, 65 CCTV vehicle streaming and 20 tracked I-boxes and have completed the introduction of cash destruction into 50 I-boxes to increase protection initially in the Birmingham and Chester depots where incidents have been recorded. A risk assessment is currently being undertaken for 'case across counter' in rural and low risk sites and discussions continue with the CWU. There was 1 incident during period 4 as the crewman exited the vehicle to start the delivery he observed a male coming towards him with a machete, crewman threw iBox at him. Male

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fled and down the road to another male who used a Still Saw to cut open box and remove pouch. There was close liaison with PSNI and Belfast Supply Chain due to 'Marching Season' and high risk events necessitating the relocation of Police resources ensured CVIT services weren't at greater risk. Tiger Kidnap training has been provided in Sheffield to new crew members.

If CVIT crime is displaced we would install more cash destruction systems in affected depots. For robbery and burglary we continue a 4 year installation programme for identified high risk branches. In addition we are also looking at cash destruction systems for branches. We continue to engage within the industry and recent membership of Safercash will provide greater access to both CVIT and ATM crime data, along with various other regional meetings. Grapevine continue to scan media and social media.

In response to **abusive and aggressive behaviour**, temporary IP cameras with automatic aggression detection will be made on a case by case basis. We are also working closely with the British Security Industry Association (BSIA) and will be meeting their training partner who are supporting a Met Police programme to share best practice and guidance across the industry. Basic training is currently provided to DMB staff and to all colleagues who may come across violence in the workplace. The BSIA also sharing best practice and introducing members to partners who are supporting initiatives.

Safety Performance. Total accidents are level with 2018/19 at 33 v 33 (DMBs are down at 12 (19), Support are up at 8 (3), and Supply Chain are slightly up at 13 (11)). Whilst the volume of lost time accidents remain relatively low, 5 in 19/20 v 6 in 18/19, a serious accident involving an employee who slipped in a hotel bath (61 days) and two physical injuries in Supply Chain due to assaults (15 days) have led to an increase in total lost days (101 v 68). There were no lost time incidents in June, 1 in July, 1 in Aug.

The **Supply Chain Safety Plan** is progressing well with safety champions sharing best practice and improvement opportunities at their safety forums, including signage. Local risk assessments and safe systems of work continue to be reviewed and strengthened and depot shift managers are receiving ongoing coaching from the SC H&S Lead. BSIA and Mitie visited Midway and shared their approach to 'hearts and minds' campaigns, tools and plans. BSIA Communication Manager will work with us over the next few months to develop a campaign that will extend to their wider membership. We are also meeting the Occ Health MSK expert on 13th September to commence an ergonomic review of coin and manual handling and risks facing the Supply Chain ageing workforce.

Property Statutory Compliance (risk assessments / inspections) remains high at 95% with 98.45% recommended actions completed during Q1. The latest external FRA's demonstrated significant improvement in compliance and discussions are continuing with CBRE and their Fire experts Metro Safety. The latest external fabric surveys (Low Risk) still suggest a satisfactory outcome. There is still some concern regarding documentation missing from site log books and CBRE are taking action to audit books and close this gap. An update will be provided at Safety Board in October.

Workstation/DSE risk assessments and lone working guidance has been incorporated into the **general H&S training** modules issued through Success Factors in April and

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July, ahead of an exercise to refresh all support team local risk assessments, commencing September. The annual H&S module content has been reviewed for Supply Chain and face to face training in the workplace reintroduced for higher risk activities including manual handling and use of equipment in Supply Chain.

We are beginning to see further improvement and reduction of **road risk** through analysis of telemetry data and driving behaviour in Supply Chain. We are working to strengthen a number of areas including driver safety training and the introduction of Alcolock (breathalyser integration with key management) on which we are consulting CWU. Other initiatives include the reissue of driver handbooks (CViT, Company Car, Grey Fleet), profiling business drivers from Selenity data and capturing maintenance records. The new Fleet Team structure will continue to support the Road Risk Policy Action Plan.

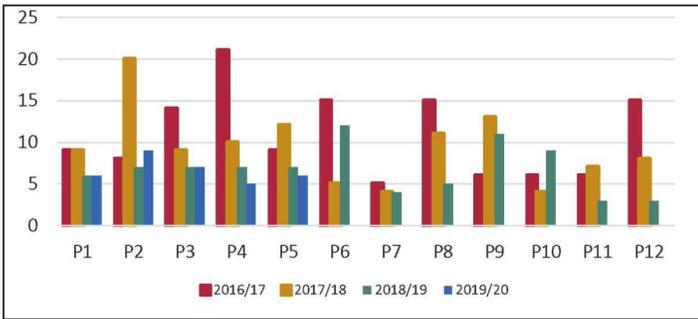
Input Sought

The Group Executive are requested to note the current health safety performance and content of this report and input to a discussion at the meeting.

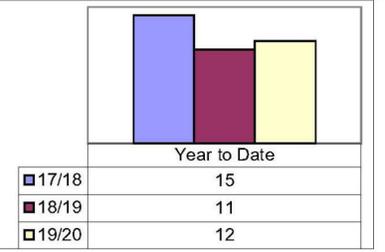
6

Health & Safety Performance – P5 (Aug) 2019/20

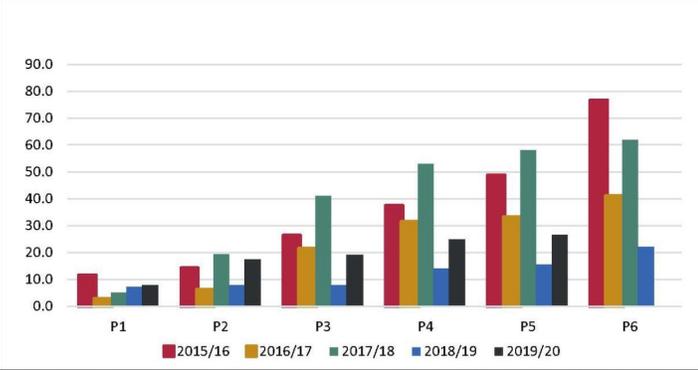
**Number of Employee Accidents – Monthly - Period 5 = 6 (33 YTD)
(Target to achieve a year on year reduction)**



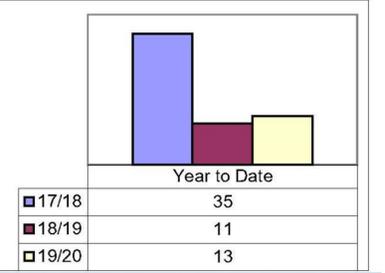
DMB Accidents – P5 YTD



Days lost due to accidents / 000 employees - Cumulative



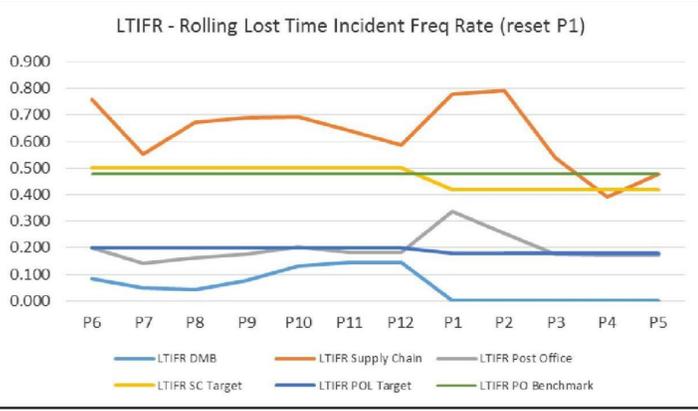
Supply Chain Accidents –P5 YTD



Commentary

Overall, there have been 5 lost time accidents in POL in 19/20, incurring a total of 101 lost days, (compared to 5 incidents in 18/19 with 68 lost days).

LTIFR – Lost Time Injury Frequency Rate – Period 5



Commentary

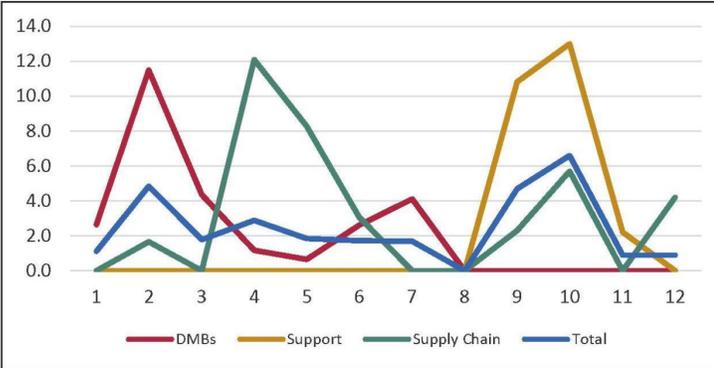
DMBs – For the current branches there has been a slight increase in accidents from 11 to 13 YTD in 19/20. Last year there were 19 reported by P4 but a number of branches have since franchised. Causation is mainly due to lack of attention closing doors, using safe inserts or faulty parcel hatches.
Supply Chain – Supply Chain accidents have increased slightly from 11 to 13 YTD, some due to a lack of awareness of potential hazards and not following procedures.

All Post Office – Employee LTIFR P5 YTD
YTD P5 – 0.174
2018/19 out turn – 0.184
2019/20 target – 0.178
Benchmark – 0.300
Absence accidents/000 SIP:
1.26 P5 YTD v 1.02 (YTD 18/19)
LTR lost days / 100,000 P5 YTD: 3.52 vs 2.19 (P5 YTD 18/19)

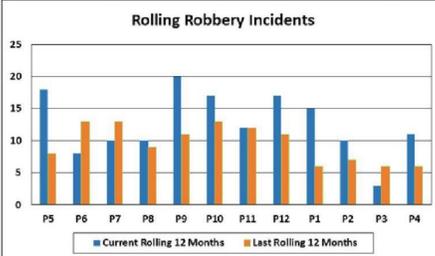
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There was one lost time incident in P4 where a colleague tripped over a mat entering Bark St. Bolton. There have also been a couple of incidents where colleagues have slipped in hotel showers when staying away for work. Advice was given in our annual H&S training and it may be that incidents are better reported. The H&S team will be looking closely at this trend and reminding those who travel to take additional care.

LTR – Lost Time Rate (Days / 100,000hrs) – P5

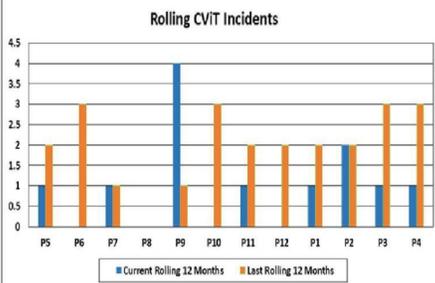


Robberies – P4 19/20



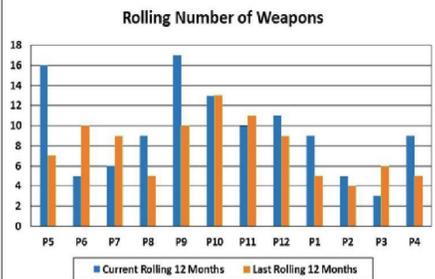
Commentary – Robberies

P4 – 11 robberies in P4 compared to 6 last year, 6 successful (3 last year)
YTD - 38 robberies YTD (v 25 in 18/19)
Rolling 12 months – 150 robberies compared to 115 in last 12 month period



Commentary - Weapons:

P4 – 9 incidents involving weapons compared to 5 last year, 5 blades (4 last year)
YTD – 26 incidents involving weapons YTD (vs 20 last year), 15 blades vs 11 last year
Rolling 12 months – 113 incidents involving weapons compared to 94 in the last 12 month period



Commentary - CVIT

P4 -1 CVIT incidents compared to 3 last year, 1 successful (1 last yr).
YTD – 5 CVIT incidents YTD (compares to 10 last year), with losses of £56k vs £99k last year.
Rolling 12 months – 12 CVIT incidents compared to 24 in last 12 month period.

Supply Chain – Employee LTIFR P5 YTD

YTD P5 – 0.477
2018/19 out turn – 0.586
2019/20 target – 0.420
Benchmark 0.600 (BSIA update Q2)
Absence accidents/000 SIP
3.53 P5 YTD v 4.91 (YTD 18/19)
LTR Lost days / 100,000 P5 YTD: 3.52 vs 8.81 (P5 YTD 18/19)

Near Misses – P4 2019/20

A total of 1 in **DMBs** where a customer pushed another who fell backwards.
Supply Chain – 19 in P4 and 94 near misses recorded YTD. There is better reporting and understanding of near misses. The majority of these are unsafe conditions. However, there have been a few trends eg overweight bags and housekeeping issues that have been tackled by Safety Champions as a result of this reporting and sharing.

Road Risk P5 19/20 – RTCs

RTCs 19/20 YTD = 42
18/19 YTD = 40
Overall commercial fleet RTCs up 5%
Due to a spike in mobile PO RTCs (11) although no repeat offenders amongst 178 MPO driver community.
Blameworthy
19/20 YTD = 28
18/19 YTD = 19
An increase of 50%. All incidents in P5 incurred minor damage eg low hanging branches or reversing into inanimate objects at low speed.
Initiatives include:
Supply Chain OD is in final stages with Fleet Team centralised.
A project underway to increase fleet compliance amongst MPO driving community and to bring a much improved focus on telemetry and RTC performance.
A new overarching Road Risk Policy has been developed, with improved training and compliance and maintenance checks to cover Commercial Fleet, Business Cars & Personal Car use.
Road Risk and H&S teams are scoping products to alleviate fatigue and improve journey planning.
Online driver training has been provided to employees who drive on business.

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Tab 6 Health and Safety Report, including violence and robberies report

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Health & Safety Report Sep 19

Project LEO Update

Authors: Ben Foat Sponsor: Ben Foat and Owen Woodley Meeting date: September 2019

Context

The Board has been briefed on and has approved in principle a new group legal entity structure (through the legal entity optimization project, LEO) which involved the establishment of a new holding company ('HoldCo') above Post Office Limited ('POL'), the transfer of the shares in each of Post Office Management Services Limited ('POMS' or 'POI') and Payzone Bill Payments Limited ('PZBPL') to HoldCo, and the establishment of a new financial services entity ('FSCo') and, potentially, a services company ('ServCo'). On further consideration of the structure, Management concluded that it would be preferable to adopt a simplified and potentially more efficient approach to the group legal entity structure to ensure the realisation of the FS strategy and to mitigate the potential contagion effect of carrying out regulated activities in an unregulated legal entity. In the proposed new structure, POL would continue as the parent company and the existing POI entity would be utilised as the vehicle for the POL FS Business. There would be no requirement for a new HoldCo or FS entity to be set up. Approval for the new proposed legal entity structure was requested from the Board in July 2019. On review of the proposal, the Board requested that Management provide further detail of the operational, regulatory and governance requirements to give effect to the new structure.

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Questions addressed in this report

1. What are the required steps and approvals needed in order to move the FS Business into POI?
2. What would be the associated impact on the governance framework and operations of both POI and POL?

Conclusion

The transfer of the FS Business into POI and equipping POI as an authorised firm to undertake new types of regulated activity is a significant project that should not be underestimated. The detailed steps and deliverables required to achieve this are set out in the body of Report.

In addition, the Report (i) sets out the changes that will need to be made to the governance frameworks and the impact on operations of both POL and POI, and (ii) includes a comparison table of the activities that are required to transfer the FS Business into POI vs those required to transfer the FS Business into a FS Newco. It should be

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noted that both of these options will require a significant amount of work, resources and funding and with similar timelines.

In summary, if approval is given by the Board for the proposed new legal entity structure, the next steps required are:

1. To finalise negotiations with UKGI in respect of the Framework Document and Articles of Association. Although the Board has previously authorised the CEO or CFO and the GC to agree final versions; any outstanding material risks which are not resolved during negotiations will have to be brought back to the POL Board for further approval. We expect to finalise negotiations by no later than end Oct '19.
2. Confirm with KPMG, via the ongoing 'Route to Dividend' work, that the revised legal entity structure does not inhibit the shareholder from (i) realising a dividend in the future, or (ii) reduce the potential size of the dividend, or (iii) have any material adverse tax implications. The results of the Route to Dividend work are being presented w.c. 16th September.
3. POI and FS Business will need to prepare and define:
 - (i) A Target Operating Model ('TOM') for the combined business to enable both POI and FS Business strategies. The purpose of the TOM will be to set out the overall operating model design and guide all aspects of implementation.
 - (ii) A new governance framework and organisational structure for POI/FS Business, to be agreed by POL and rolled out.
 - (iii) The roadmap for delivery of the TOM which, in combination with the above, will also provide much of the content required to receive approval from the FCA via the necessary Variation of Permission application.
 - a. The VoP will need to include a regulatory business plan with a combined business

We expect that (i), (ii) and (iii) above will take c. 6 months to prepare.

4. Regulatory, Board and Executive approvals to then be sought as required.
5. Peregrine negotiations to be completed and all agreements executed.

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Input Sought

The Board is asked to consider and approve in principle the revised Project LEO structure.

Input Received

Advice from Linklaters LLP.

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Report

Steps Plan for the transfer and integration of the FS Business into POI:

1. Corporate

Once the necessary board approvals of both POL and POI are in place:

1.1 Due Diligence: Necessary due diligence investigations for the intra-group business and asset transfer will be conducted focussing on, (i) ensuring assets are transferred effectively, (ii) preserving valuable rights, (iii) ensuring third party liabilities are avoided, (iv) compliance with regulatory requirements and (v) managing employment issues.

It will be critical as part of the due diligence exercise for the FS Business to identify which, if any, products (e.g. bill payments), will be considered out of scope and will remain in POL.

1.2 Transaction Documentation: Business and Asset Purchase agreement will be prepared which will be the instrument to transfer the businesses/assets from POL to POI.

1.3 Price: The transfer will normally take place at book value using the carrying value shown in POL's accounts (assuming that POL has distributable reserves). In other circumstances, the transfer must take place at market value.

1.4 Tax: The tax treatment of any business/asset transfer will also be considered. If both companies are in the same group for tax purposes, then it is likely that the transfers can be undertaken on a tax neutral basis. VAT, the taxable status of the assets being transferred, VAT group arrangements and the possibility of going concern treatment need to be assessed.

1.5 Capital Contribution: POL may be required to make a capital contribution to POI to enable POI to comply with its regulatory capital requirements which is expected to increase in light of the additional regulated activities being undertaken by POI following the transfer of the FS Business. However, because the combined business will not hold client money, this is not expected to be in the millions.

1.6 Contracts: Third party (i.e. Banking Framework, Bank of Ireland, Capital One) supplier and service provider agreements (i.e. reseller and JV related arrangements (i.e. FRES)) relating to the FS Business and currently with POL will

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need to be identified and novated/transferred across to POI as will any existing contracts between customers and POL. Any third party consent requirements will need to be identified and obtained. Initial due diligence has been undertaken in establishing what third party consents will be required. There may need to be revised commercial terms between parties (e.g., BoI and POL) to reflect the change in risks and costs for matters such as compliance oversight.

- 1.7 Name Change: Board recommendation and Shareholder approval will be required to effect a change of name for POI so that it reflects the combined insurance and financial services business.

2. Regulatory

In order for POI to be in a position to undertake new types of regulated activities relating to new product types, the following critical steps would need to be taken:

- 2.1 Review of POI current regulatory status.
- 2.2 Full mapping of all regulatory requirements for the new and integrated products and services identifying all rules including those relating to:
- Financial promotions (through all relevant channels);
 - Pre-contractual disclosures;
 - Contractual documents;
 - Formalities for contract formation;
 - Rules relating to relevant post-contractual activities (including complaint handling);
 - Regulatory reporting;
 - Capital requirements;
 - Senior Managers Regime (December 2019);
 - Certification of staff (December 2019); and
 - Governance – systems and controls and risk management etc.
- 2.3 Gap analysis against existing processes, procedures and governance structure etc. to identify where the existing business model is sufficient to support the new business, where it requires enlargement to support business, what platforms are required to support the new business and how those will interface with existing platforms (as relevant).
- 2.4 Identification of suitable candidates with the appropriate experience and expertise to manage the process and the business going forwards on the POI Board and Executive team.
- 2.5 Business continuity and disaster planning for the new business to be undertaken and implemented.

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- 2.6 Increased AML, CTF and cyber-security requirements to be identified and implemented.
- 2.7 Evidencing to the FCA how it will continue to meet its regulatory obligations for both new, existing and integrated businesses in POI with no customer detriment.
- 2.8 Change and increase its capital and liquidity positions to accommodate the new risks with the integrated businesses.

3. Requirements for the application to the FCA for a Variation of Permission

3.1 Application: POI would need to apply for a variation of permission ("VoP") to add the relevant permissions for the new activities to be undertaken to its existing permissions and to add the new product set. A detailed project plan that clearly shows the journey from the current business model of POI to the expanded model will be required. The FCA will require evidence that POI will continue to meet all of its regulatory obligations for both the new and existing business and that it will ensure that no customer detriment arises during or after the build out. This assumes that the FCA has no current concerns about the POI business. No issue has been raised by the FCA to date in this regard.

3.2 Timing: Following external legal advice, where there are no existing concerns with the firm (as is the case for POI), applications for a VoP are generally dealt with more quickly than a wholly new authorisation. This is partly because the FCA has the comfort of knowing that the firm is already experienced in operating within the regulatory perimeter and therefore knows what the expectations are for governance, policies and procedures, customer treatment, etc. That said, the FCA will need to be satisfied that the expansion has been properly thought through, including considerations for how resources will be increased to deal with the additional services and customers, how new and existing platforms will operate together and how the firm will ensure that existing customers suffer no detriment.

The statutory time limits for the processing of applications is six months from when the FCA determines the application to be complete, with a backstop date of 12 months from the date it receives an incomplete application (e.g. because information or documents are missing). The FCA Service Standards for 2018 confirmed 100% performance against those time limits for non-consumer credit firms in the year April 2017 to March 2018. It is anticipated that it will take circa 6 months to prepare POI for the required changes and the VoP application.

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4. Governance

4.1 POI Board needs to be notified and the necessary approvals obtained for:

- a) the transfer of the FS Business from POL to POI; and
- b) the application for a variation of its permissions (VoP) to the FCA.

4.1.1.1 As part of the due diligence investigation for the transfer of the FS Business, a full review of the current governance structure will be required. This includes a review of the membership of the POI Board and Executive to ensure the its members have the appropriate levels of skills and experience required for a regulated insurance and financial services business.

4.1.1.2 The new POI Board will need to ensure that there are appropriate operational processes, controls, governance and resources in place to manage the FS Business in addition to its existing Insurance business.

4.1.1.3 Review of existing Group policies and processes to ascertain what, if any, will not be appropriate for the FS Business and will have to be independently developed due to increased regulatory oversight.

4.1.1.4 Conflicts of Interest. As flagged in the July Board paper, the revised approach means that the existing conflict of interest, whereby there is an inverted parent / AR structure will remain. Although POL has been concerned over the potential conflict which arises from the CEO of POI reporting into the CEO of POL, it is not uncommon in the financial service sector to have an 'inverted' structure whereby a regulated subsidiary appoints its parent company as an AR.

At present this potential conflict of interest is managed by the CEO of POL, as the Approved Person, reporting into POI. There is no legal reason why POL cannot continue with this arrangement / structure, unless by virtue of the governance of the relevant entities, potential conflicts of interest are identified which cannot be managed or the FCA expresses concern about this arrangement in the context of POL being the AR for POI.

5. Organisational Structure

The proposed new organisational structure for POI will be defined based on the combined underlying business components and incorporating any additional regulatory requirements. Management of both the current POI and FS Business

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will work together to review key roles within each of the current businesses i.e. CEO, Managing Director, Finance Director, HR Business Partner, Compliance Director will need to identify the optimal organisational structure for the combined businesses.

6. Operations

It is critical that, post transfer, POI continues to maintain its operational and regulatory independence in order not to compromise its or POL's regulatory status. Due diligence investigations will also review the following key areas to identify what, if any, changes will be required as a result of the increased regulatory oversight and regulated activities that will be undertaken:

6.1 Shared Services

The current POI shared services model will be reviewed to identify additional resources that may be required for POI to maintain the minimum level of independence required to fulfil its regulatory obligations and remit.

6.1.1 Compliance

The current POI Compliance framework will need to be reviewed and developed to ensure an appropriate and compliant Risk and Control environment. This may include:

- building the resources and capabilities of the Compliance and Risk functions to deal with the increase in products and services and the scale of the business, including identifying key regulatory positions independent of POL (i.e. Compliance Officer etc.);
- developing a suitable Risk and Control Framework for the combined POI/FS Business; and
- identifying any changes required to (i) established standards for compliance training programmes, (ii) risk reporting and analytics based on risk across the combined businesses, and (iii) arrangements with BoI and Capital One, which will need to be reflected in amendments to the Peregrine agreement[s] and the Capital One agreements.

6.1.2 Information Technology

Full review of all IT of both POI and FS Business to ensure that:

- to the extent required, the systems currently used for the insurance

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mediation interface with others to ensure correct dataflows. For example (accepting that this is a minor matter), where a customer calls to notify of a change of address, how is that communicated and updated across all accounts held by that customer to ensure that renewals, statements etc. go to the correct place; and

- any new systems are fully tested before launch.

6.1.3 Finance

The Finance capability for the combined businesses should remain broadly similar to the current service provided by POL. Consideration needs to be given to approvals that may now be required from the post transfer POI which were previously required from POL.

6.1.4 Customers

A review of customer services (i.e. call centres) to identify required changes to manage increased regulatory oversight. Designing the build out to ensure that there is no impact on continuing to service existing clients

6.1.5 Staff

Training of staff on the new products and services and hiring suitably experienced staff (as relevant) will need to be undertaken.

7. People

7.1 Transfer of Undertakings (Protection of Employment) ('**TUPE**') Regulations

7.2 The transfer of the FS Business into POI is likely to give rise to a TUPE transfer of employees. As such, 90 days prior to the transfer we must commence an information and consultation exercise with any affected employees. Where the employees are union grade, this exercise will need to be with the trade unions. If the transfer is likely to result in redundancies, it may be possible to commence concurrent redundancy consultation.

7.3 FS Business employees in scope to transfer (in most cases this will be those doing majority POL FS work) will have the right to object to the transfer in which case their employment will automatically come to an end on the transfer date. It may be possible to agree retention bonuses to retain commercially key personnel.

7.4 Questions will arise during TUPE consultation about which of POL's policies, benefits and terms will transfer to POI. It is likely that anything conferring a

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financial benefit ought to transfer. If the unions are involved they will certainly expect this.

7.5 Transferring POL employees into POI may create a two-tier workforce to the extent that POL policies, benefits and terms are more generous than POI's. Harmonizing terms is likely to be unlawful. It is possible to maintain a two tier workforce. Many employers do. Unrest caused by a two tier workforce is, however, likely to be exploited by the trade unions. At present, POI does not recognise any union. Whilst possible, it is unlikely that union recognition will transfer as a result of TUPE. The unions will, however, certainly argue for that and they will try and win recognition in the usual way by securing the appropriate level of membership and support. The existence of a two tier workforce may create an environment in which the unions find it easier to win recognition in POI than previously.

7.6 TUPE makes it very difficult for an employer to change terms and conditions of employment or to dismiss any employee because of a TUPE transfer unless the employer can demonstrate an "Economic Technical or Organisational reason entailing a change in the workforce" (an "ETO reason"). Any proposed changes to terms and conditions or dismissals around the time of the transfer will need to be carefully considered and managed.

7.7 TUPE transfers are likely to weaken the enforceability of post termination restrictions against transferring employees. It would be advisable to identify commercially key personnel, review the drafting of their restrictions and consider whether we should procure that they enter into new restrictions for fresh consideration.

8. Pensions

The level of employer contributions to the Group Personal Pension Scheme (up to 11%) should transfer with the FS Business employees. However, it is understood that POI already provides identical cover. As far as the DB pension scheme is concerned, these benefits will not transfer. However, the trustees of the DB scheme will want to understand and assess the impact of the FS Business transfer and whether it will have any impact on the "employer covenant" currently available to support the pension schemes. If it can be shown that there is a material detriment to the ability of the pension schemes to meet their liabilities, mitigation may need to be offered (e.g. by entering into appropriate guarantees across the Post Office Group).

9. Costs

Against a 19/20 allocation of £1.8m, year to date spend is c£500k. Subsequent to finalising with UKGI the Articles of Association, Framework Document and

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Route to Dividend work (which we expect to cost a further c£100k), it has been agreed that, assuming it is approved, the delivery of the revised proposal would be better placed within the FS Portfolio of Change. As such, the remaining £1.2m of the original 19/20 allocation has been handed back to 'central change', which can be requested, by the FS Portfolio Team once all of the Board and Executive approvals are in place.

As part of the Project Plan and TOM which is to be prepared, the costs of the transfer and implementation will be identified and included in the budget and funding plan for the project. These costs will include FCA applications, external adviser costs, additional resources etc.

10. Framework Document and Articles of Association

The Framework Document and POL Articles of Association need to be finalised and agreed with UKGI. The Articles of Association for each of the subsidiary companies, POI and PZBPL, will also need to be finalised and agreed and adopted by the respective Boards.

Significant progress has been made on the Framework Document and Articles of Association however there remains a number of material issues which, if not resolved during negotiations will have to be brought back to the POL Board for further approval. We expect to finalise negotiations by no later than end Oct '19.

7

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APPENDIX 1 – Comparison Table of Activities Required

Work-stream	Activity	POI/FS	FSCO
Legal	<ul style="list-style-type: none"> • AoA & Framework Document • Due diligence for intragroup business transfer • Intragroup Business and Assets transaction documents • TP Consent to novate contracts • Novation of agreements & 3rd party contracts • Update intra-group contracts (POL/POI) • Creation of Newco • Name Change 	<ul style="list-style-type: none"> ✓ ✓ ✓ ✓ ✓ ✓ X ✓ 	<ul style="list-style-type: none"> ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓
Finance	<ul style="list-style-type: none"> • Funding of transfer of FS business and assets • Tax and VAT Implications analysis (now incl. in RtD) • Prepare and book Newco to reflect issue of equity • Entity creation in accounting systems • HMRC Tax Clearance • Valuations – FS Business • Entity Corporate Finance Model (BAU intra-group funding) • Change of Corporate Insurance 	<ul style="list-style-type: none"> ✓ ✓ X X ✓ ✓ ✓ ✓ 	<ul style="list-style-type: none"> ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓
Regulatory	<ul style="list-style-type: none"> • Review of POI regulatory status • Mapping of all regulatory requirements • Gap analysis against existing processes, procedures and governance structures • Approved Persons applications for new roles • Approved Persons training • Director checks (e.g. Fit & Proper, SMCR) • FCA Application for Variation of Permissions • FCA Application for Permissions to undertake regulated activities • Change and increase capital and liquidity position • Fund new capital requirements for Newco 	<ul style="list-style-type: none"> ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ X X X 	<ul style="list-style-type: none"> X ✓ ✓ ✓ ✓ ✓ ✓ ✓ X X ✓

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Governance	• Setting up New co (incl. name agreement)	X	✓
	• Create new governance framework (including appointment of new directors and NEDs)	X	✓
	• Revise POI governance framework (including reviewing board appointments to reflect POI and FS Businesses)	✓	X
	• Board approvals of POL and POI	✓	X
People	• Information and consultation exercise	✓	✓
	• Identity FS Business employees to transfer	✓	✓
	• Management of terms and conditions for FS Business employees in POI	✓	X
	• Review of roles and responsibilities	✓	✓
	• Impact on Pension Scheme with transfer FS Business employees	✓	✓
Organisational	• Review/Creation of Shared Services Model	✓	✓
	• Review/Creation of Compliance Framework	✓	✓
	• Review of all IT requirements	✓	✓
	• Review of Finance capability	✓	✓
	• Review of Customer Services i.e. call centres etc.	✓	✓
	• Training of staff and recruiting for new roles	✓	✓

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Framework Document & Articles of Association Update

Author: Sherrill Taggart Sponsor: Ben Foat Meeting date: 23 September 2019

Context

At the July 2019 Post Office Limited (POL) Board, the CEO or CFO and General Counsel were given authority to finalise the Articles of Association (AoA) and Framework Document (FD), subject to any further material changes.

Significant progress has been made in negotiations with UKGI in relation to finalising both documents. However, there are some material points that remain outstanding and on which an agreement has not yet been reached.

The key issue outstanding on the FD is the requirement for POL to have regard to the government wide corporate guidance applicable to public corporations listed in an appendix to the FD and any future relevant guidance as specified by Government to the extent that such guidance is applicable to POL as a Public Non-Financial Corporation.

In a departure from the current set of AoA for each of the POL group of companies, the proposed AoA, now include:

- Group Reserved Matters: Matters included in the AoA for all group companies that require consent from BEIS. In the case of POL's subsidiary companies¹, in addition to POL providing consent to these matters (as the parent company), POL must, in turn, seek the consent of BEIS, as ultimate shareholder of the Post Office Group. There are no group reserved matters in the current AoA of POL or its subsidiaries.
- Company Reserved Matters: Matters included in the AoA that require consent from their shareholder i.e. in the case of POL, BEIS and in the case of POI and PZBL, POL.

The inclusion of the Group Reserved matters at both Group and Company level will have the effect of creating a "dual consent requirement" i.e. POL and BEIS which, while not necessarily having an impact on BAU, may hinder, delay or prevent growth opportunities for the business i.e. acquisitions, intra-group reorganisations and funding etc.

Questions addressed in this report

1. Which Group Reserved Matters proposed by UKGI in the AoA are not yet agreed and what types of activities could these delay, restrict or even prevent?

¹ Post Office Management Services Limited (POMS or POI) and Payzone Bill Payments Limited. Subsidiaries in this report does not include First Rate Exchange Services Holdings Limited.

2. Which provisions within the draft FD cause POL concern and why?

Conclusion

1. All Company Reserved Matters and Group Reserved Matters which should not inhibit BAU activities have been agreed with UKGI. There are four outstanding Group Reserved Matters which, should they require shareholder consent, have the potential to slow or even prevent the execution at a pace required to operate effectively in the markets within which POL and its subsidiaries operate. For example, these include intragroup reorganisations / mergers and the raising of finance (including from POL).
2. We are concerned that staying silent on whether or not the Public Sector Pay and Terms Guidance is applicable to POL in the FD could result in the Secretary of State later arguing that it is applicable and insisting on its implementation. This could have a material impact on POL being able to attract and retain talent in a private sector/commercial market.
3. The additional provisions which have now been included within the draft FD in relation to the annual business plans and 3 yearly strategic plans will require additional resourcing, significant forward planning and co-ordination.

Input Sought

The Board is asked to **note:**

- (i) the impact to the business as a result of the requirements and obligations on the Post Office Group as detailed in the paper; and,
- (ii) the additional processes and resource which will be required to ensure the additional requirements in the AoA and FD are implemented and adhered to.

Input Received

Advice from Linklaters LLP

Report

Which Group Reserved Matters proposed by UKGI in the AoA are not yet agreed and what types of business activities could these delay, restrict or even prevent?

1. Although a number of Company Reserved Matters exist in the current POL and Post Office Management Services Limited (POMS or POI) AoA, there are no group reserved matters. Payzone Bill Payments Limited's (PZBPL) current AoA do not include any company or group reserved matters (the AoA have remained unchanged since acquisition).
2. Supported by Linklaters, a pragmatic approach has been taken to negotiating the AoA with UKGI. Recognising that they are the Shareholder Representative we have reached agreement on all Company Reserved Matters for POL and the majority of the Group Reserved Matters. The potential consequence of these Group Reserved Matters is that approval may be required more frequently for decisions that the POL Board (and the Boards of its subsidiaries) had previously been able to make without shareholder consent. Andrew Goddard, the Managing Director of Payzone Bill Payments Limited (PZBPL) and Ian Holloway, Compliance Director, for Post Office Insurance, have also been consulted on potential impact on BAU.
3. The group reserved matters which have been proposed by UKGI and that, to date, we have been unable to agree from a commercial perspective (not a legal or regulatory) to are as follows:
 - (i) 43.3(K): The formation of any subsidiary undertaking or the issue, allotment, purchase, cancellation or transfer of Shares, or granting of any Share Rights, in the company.
 - (ii) 43.3(L): The sale, issue, allotment, purchase, cancellation or transfer of any shares by the company in any subsidiary undertaking or in FRES Limited (while an associated undertaking of the company) or in any other associated undertaking of the company.
 - (iii) 43.3(M): The amalgamation or merger of the company with any other company or business undertaking.
 - (iv) 43.3(O): The restructure or re-organisation of the Post Office Group structure such that the company's shareholding in its subsidiary undertakings is altered or amended.

4. The table below sets out where these articles already exist as company reserved matters within POL, POI and PZBPL's AoA. Accepting the changes requested by UKGI would now require POL to request consent for these matters from BEIS prior to undertaking such matter (in the case of POL) or providing consent to POI or PZBPL.

Article	Included in existing POL AoA as Company Reserved Matter?	Included in existing POI AoA as Company Reserved Matter?	Included in existing PZBPL AoA as Company Reserved Matter?
43.3(K)	Yes	Yes	No
43.3(L)	No	No	No
43.3(M):	No	Yes	No
43.3(O):	No	Yes	No

5. The acceptance of these group reserved matters could, particularly for POL's subsidiary companies, delay, restrict or prevent:

(i) Re-organisations and structuring ahead of acquisitions and or disposals, including intragroup mergers and the raising of finance; and

(ii) Organising its existing business and the ability to create new divisions / sub divisions (e.g. where a new subsidiary is required for regulatory or local law requirements).

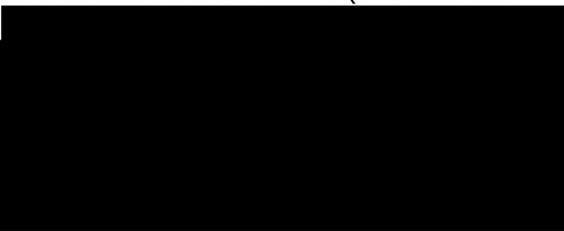
6. This concern is heightened as a result of the existing deemed consent process (whereby consent would be deemed granted if no response is provided within 10 business days) now being supplemented by a procedure which allows for the indefinite extension of the period for UKGI to respond to requests – as long as they initially request an extension within the first 10 business days, and then request an additional extension, of such other time period required, within the subsequent 10 business days following the initial extension request.

Which provisions within the draft Framework Document cause POL concern and why?

1. The purpose of the FD is to set out:
 - (i) The parameters within which POL is expected to operate;
 - (ii) The obligations with which POL is expected to comply; and
 - (iii) Certain aspects of the relationship between the Shareholder, the Shareholder's Representative and POL and how it is expected that the Shareholder, the Shareholder's Representative and POL will interact with each other. The FD is supplemented by the key governance documents (as

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applicable): (i) the AoA; (ii) the current Entrustment Letter; and (iii) the Funding Agreement.

2. While the FD is not legally binding, given that it will be a public document, it will be difficult for UKGI and POL to step away from its terms which govern the relationship between the parties.
3. The current draft of the FD requires POL to have regard to the government wide corporate guidance applicable to public corporations listed in an appendix to the FD and any future relevant guidance as specified by Government to the extent that such guidance is applicable to POL as a Public Non-Financial Corporation. This is a very broad obligation on POL and there is a risk that the Government will expect certain current and future guidance to apply to POL despite the fact that legally POL would not be required to apply this guidance.
4. This risk has been highlighted by the Public Sector Pay and Terms Guidance (PSP&TG) which covers pay setting arrangements for public sector employees, including departments, non-ministerial departments and agencies, as well as for public sector workers in non-departmental public bodies and other arm's length bodies. The guidance provides a framework within which all departments will set pay, and for departmental pay strategies and pay reporting, unless there is an existing multi-year or other agreement in place. The guidance, which was updated on 22 July 2019, is expressed to be a "*reminder of the cross-cutting public sector pay and terms rules that are in place, and the government's expectations on public sector employers*".
5. While the FD does state that POL is exempt from Cabinet Office spend controls, is not subject to the Civil Service Pay Remit Guidance and the POL Board retains operational freedom to make remuneration decisions in the best interests of the business, UKGI are unwilling to specify that the PSP&TG does not apply to POL and, instead, propose to stay silent on its application to POL.
6. POL has previously received QC opinion and advice from Linklaters (in December 2018 and June 2019 respectively) that 
7. Whilst the PSP&TG is not legally binding or enforceable, if UKGI considers that the PSP&TG does apply to POL and POL chose not to comply with it, the Secretary of

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State could exercise powers in the AoA to compel POL to comply, such as replacing the POL Board.

8. UKGI has been provided with the QC opinion obtained by POL and this is currently being considered by HMT. POL is waiting on a response from both HMT and UKGI on this key issue.
9. Separately, a number of additional provisions relating to agreeing strategic / business plans, accountable officer obligations, responsibilities of the Board and the Chair; the process for appointing directors and the Chair etc. are now included in the draft FD. Although certain of these activities are currently included in POL's existing AoA (e.g. the requirement to set and agree a strategic plan for the group with BEIS), and from a governance perspective they may appear to be in the ordinary course, they do represent a notable uplift from the current group practices and as such will require resourcing along with the appropriate planning for compliance. For example, in relation to provisions for the creation of group business and strategic plans:
 - A small team will need to manage the process for and content of the group business and strategic plans. The provisions will require POL, with sufficient input from the subsidiaries, to design a business plans annually and a strategic plan for the following 3 years. This then needs to be considered and approved by the POL Board, and ultimately by BEIS. This will require significant forward planning and organisation. Any changes to these documents will also require separate shareholder approval, a process for which is outlined in the FD.
 - In addition to the group business and strategic plan, the subsidiaries will be required to set similar business and strategic plans specific to their business. However, the creation of these subsidiary business and strategic plans, and any changes to such plans, will only require the consent of its shareholder (i.e. POL) and not BEIS, so long as such plans or amendments would not constitute a material variation or amendment to the group business plan.
 - Consideration of the timing of Board meetings and when the business and strategic plans are to be considered. The FD requires specific timelines for approval and planning etc. This would need to be managed.

Post Office Approach to SMEs

Author: Barry Morse Sponsor: Owen Woodley Meeting date: 11 September 2019

Executive Summary

Context

The UK SME market is a large and important market for PO. There are approximately 5.7 million SMEs (3.4 million sole traders and 2.3 million registered companies). The sector is acutely important to UK PLC as a key driver of employment and innovation. It is also the focus of attention for myriad financial, logistics, and business services suppliers. Whilst competitive, the diverse needs and highly fractured nature of the SME market makes it difficult to point to dominant suppliers or uncompetitive sectors.

Building primarily on Mails-based relationships, PO is already well known as an essential and trusted supplier to many sectors of the overall SME market. In recent years, PO has launched a few SME-focused products with varying degrees of success (e.g. Drop & Go; SME Insurance) and explored banking opportunities with BoI and TSB. Recognising that efforts to date have been more tactical than strategic, the question for this paper is whether there is a better way forward.

This discussion paper provides a high-level description of what are seen as the most compelling near-term opportunities for PO. For reasons detailed, these are focused around identity and the brand potential for a "Post Office Marketplace" offering financial and other services into the sector. There could be alternative approaches in other parts of our product set which could broaden this offer over time. These are mentioned but not developed in any detail.

In an effort not to obscure core strategic concepts, this presentation does not provide a detailed description of SME sub-sectors, market sizing, competitive landscape, financial analysis etc. This can be done as part of follow up work.

Questions addressed in this report

1. What is the need and the opportunity and why now?
2. How could PO help and what are the options on the way ahead?
3. What do we need to do to progress?

Input Sought

The GE is asked to discuss the content and consider next steps

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The Report

What is the need and the opportunity and why now?

1. The SME market spans the gig economy workers to sole traders to partnerships and limited companies in every sector. The UK defines businesses by the number of employees: micro-businesses (0-9), small (10-49) and medium (50-249). Around 54% of all employees (60% of private sector) work for SMEs.
2. The biggest "*business*" issue facing SMEs relates of course to what they do and how they make profit. Whilst PO's services are mission critical to some parts of the SME community (e.g. parcels), this need is far from ubiquitous and unlikely to be at the centre of our relationship with SME market as a whole.
3. However all SMEs do have some level of "*administrative*" need in the following categories: regulation (formation, filings); financial (banking, insurance); professional (accounting, VAT, tax, payroll); IT (web); employee verification; customer and supplier verification; property management; and logistics (delivery, inventory, storage). This is where PO could help.
4. To date, PO has provided Mails-related (e.g. Drop & Go) and Banking Framework cash services to the SME community. A previous attempt to sell SME insurance proved unsuccessful and the book was sold in 2018. At various times, further opportunities were explored, e.g. a PO-commissioned report in 2014 by Market Gravity discussed a complete mail solution, banking, insurance, co-working space, networking, online communities, branch services, SME promotions, telecoms, utilities, government services, logistics, set-up services, funding, advice, incubator and training.
5. Few of these ideas took hold. Without an overarching plan to mount a sustained multi-product effort, the likely costs to sell one-off services into the non-homogeneous SME market would have been prohibitive. It did not work then, and it is unlikely to work now given the costs of customer acquisition.
6. The biggest single administrative issue facing the SME community is "access to finance". PO's currently exclusive banking partner has not shown any real interest in the UK SME market, thereby denying PO an anchor product upon which to sustain an SME campaign. But that situation is about to change. It is expected that PO will be released from exclusivity arrangements in the near term, allowing it to provide financial services to SMEs with few restrictions.
7. The second biggest administrative issue facing SMEs is "navigating regulation". Regulation is a significant burden to SMEs. Company formation, establishment of bank accounts, employee recruitment, property management, customer and supplier vetting, business payments, payroll administration and taxation are all heavily procedural and require absolute compliance.
8. Today, SMEs purchase administrative assistance from a variety of providers in multiple forms. Whilst Government's drive to simplify digital compliance has made life easier, it has given rise to new cyber security threats. Banks have made it easier to set up accounts and manage transactions but managing

- signing authorities, overseas payments and compliance reporting remains a challenge. SMEs still rely heavily on lawyers, recruiters, accountants and brokers. But a lot of their services are giving way to software-based alternatives, many of which are offered free or bundled with bank offerings (e.g. FreeAgent). As companies grow outside the UK, they require the services of international service suppliers (e.g. LexisNexis, Thomson Reuters, D&B).
9. Even the largest service companies have yet to establish any level of dominance. Banks are in the best position to meet a quorum of needs but face many cross-selling restrictions. New Challenger banks are having some success by making everything digital, integrating free accounting software and integrating a full array of third-party services via marketplaces. This works well in the micro-business segment but has limitations as companies outgrow freeware (e.g. FreeAgent to QuickBooks to Sage to PWC).
 10. Of course, none of these growth challenges materialise if SMEs cannot get access to start-up and growth finance. An SME's view of its bank is more about access to finance than administrative support. This is why the Challenger bank marketplace is particularly intriguing. By allowing third-party lenders (e.g. iwoca), Challengers can maintain good relations with their account holders even during periods when they are not prepared to lend.
 11. In short, most SMEs eventually need access to finance and we believe they would buy administrative services from their finance provider or a conduit to it. Navigating regulation is another mission-critical need with solutions becoming ever more digital, putting more focus on the need for identity and security.

How could PO help and what are the options on the way ahead?

12. PO has several options for succeeding in the SME market. Success is defined herein as value creation for SMEs and UK PLC and long-term sustainable profitability. The decision will be a function of many factors including level of strategic ambition, people/financial resources, availability of partners, market timing, point of market entry, government support, execution, integration with existing businesses, competitive reaction and macro-economics.

The four main options are:

- A. **Current Incremental Approach.** Business as usual. No specific focus on SME market. Continue to focus on consumer markets. Pursue derivatives of consumer services for SMEs on an ad hoc basis. Incremental upgrades to existing services such as Drop & Go (e.g. replace home grown account system with stickier credit card solution). Regularly monitor market developments with respect to implementing a more ambitious approach later.
- B. **RegTech-led approach.** Focused investment in ID services for both consumers and companies. Individual (e.g. Verify) and business (e.g. LEI) ID services are essential building blocks for RegTech if we could utilise PO's relationship with government to become a critical part of the work-flow

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infrastructure between SMEs and regulators. Develop services in conjunction with leading business data firms (e.g. LexisNexis). Major focus on employment verification (e.g. DBS, right to work). Offer these services through multiple channels including the Banking Framework (e.g. AML/eKYC onboarding). Product roadmap will include ID credentials repository and certified digital documents and signature. (NB RegTech is usually defined as technology that helps banks meet regulatory requirements. For the purposes herein, RegTech will have a broader definition to include all services that help SMEs meet regulatory challenges)

- C. **FinTech-led approach.** Develop a banking proposition for SMEs in conjunction with a leading digital bank - business current and savings accounts with a full suite of transactional products. The combination of PO's market reach and Challenger bank technology is a potential winner, selling PO services and supplemental third-party products through a marketplace. The Fintech would bring banking skills, capital and licenses in return for major market boost and a share of the revenue. This option will probably be a second phase activity within PO's proposed UBA (basic bank account) partnership. There is concern that [REDACTED] and therefore [REDACTED] [REDACTED] with BoI [REDACTED] and arrangements with service partners like [REDACTED] also need to be observed.

- D. **Unified FinTech/RegTech approach.** Pursue both FinTech and RegTech investment strategy in unison. Integrate ID services advantage into the banking service offering. Tilt the banking competition model to more competitive one, depending in part on medium and longer term prospects for Banking Framework. Develop a more robust lineup of financial product partnerships for sale through the marketplace. Target the micro-business sectors (esp. the gig economy) via a Starling Bank-type model featuring easy switching between personal and business accounts. PO will have a competitive advantage in ID Services if it is prepared to invest, allowing us to offer faster, less expensive and more secure bank services. This option is aggressive. If PO believes that the profitability of the [REDACTED] and the future relationship with BoI does not [REDACTED] [REDACTED] this option becomes more important over a 3 to 5 year horizon.

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What do we need to do next to progress?

- 13. The most successful technology companies build things that the market needs and are willing to pay for - things they believe they can do well. Established companies do transformative things that are essential for survival.
- 14. Whilst it is unclear whether a concerted push into SME services is essential at this time, it is reasonably clear **Option A** will not deliver the potential for a transformational opportunity here. The sheer size and potential for profits in this highly fractured market should be of interest to PO, albeit it would require a very significant change of emphasis for PO to position itself to compete in that digital world. Simply implementing incremental upgrades such as replacing

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- Drop & Go Accounts with a stickier credit card solution are no-brainers, but will not move the dial. The first steps are undoubtedly in the area of identity.
15. Identity services are the most critical infrastructure component in the digital world. Every major technology company is doing everything in their power to control the user's sign in. This gives them visibility into their customers' needs (data analytics). PO should be in poll position to become a major force in the UK identity market. It has a long history of processing physical identities and has a perceived preferential relationship with Government. Making money today in digital identities is challenging, but whomever builds critical mass will become an essential piece of the more lucrative and thriving RegTech industry. Aggressive planning and action in RegTech (**Option B**) is highly recommended.
16. The banking industry is also on the march towards a fully digital future. Today, PO is well compensated for taking on the cash needs of Banks' geographically undesirable customers. That business will not disappear in the near term, but the direction is clear. PO now has an opportunity to team with a new breed of purely digital bank to help solve a number of key problems and opportunities – a debit card solution to compete more effectively in FX in future, addressing financial inclusion and SME access to finance. The key challenge will be to find the right FinTech partner willing to shoulder the financial burden in return for shared income and the potential for wider adoption.
17. Some traditional banks will have concerns about PO's potential entry into SME banking. It is possible that situation will be easier to manage with time. PO has IRRELEVANT from BoI to operate in business banking. Provided that PO goes forward with the forthcoming UBA business case, it has nothing to lose by adding SME business account capabilities to the evaluation criteria when engaging with potential UBA partners (**Option C**). These exploratory discussions need not be public and the introduction of business banking would not be announced at the outset. Announcing new business banking services for a series of very specific target markets (e.g. eBay traders) could help to mitigate any Banking Framework push-back.
18. With respect to the SME market, initial point of market access and timing are critical to create sustainable momentum with our partners and manage potential impact on current business. If business banking is likely to be on hold for at least 12-18 months, it does not make sense to dedicate resources to a comprehensive "Unified FinTech/RegTech" SME strategy at this time (**Option D**). This could be delayed for a year until progress has been made on Options and B and C. In other words, they could be run as separate projects.
19. In summary, we believe that Option A would be to miss a potentially significant opportunity for PO and therefore recommend going aggressively at Option B. We also recommend investigating Option C in the context of the proposed UBA project but it is too early to develop a unified SME strategy under Option D.
20. We should also continue to explore wider opportunities to expand an SME market position into other areas of our product set like Parcels etc.

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Appendix

1. Basic Functions of a FinTech Account
2. Indicative ID Services Roadmap
3. Starling Bank Business Account
4. General Issues to consider

1. Basic Functions of a FinTech Account

Receive payments; Pay invoices; Withdraw your cash; Write cheques; Pay tax bills; Transfer balances; Make bank transfers; Set up direct debits; Set up standing orders; Manage finances through an app; Perform telephone banking; Borrow money through an overdraft

2. Indicative ID Services Roadmap

- IDs and certified credential repository for SME responsible parties and Sole Proprietors. Regulator compliant (Companies House, AML/KYC, HMRC ...)
- SMEs use for all key people and new employee verification.
- IDs for Individuals, directors, responsible parties & employees
- Branch and online applications / credentials collection
- SMEs control release of reusable certified information
 - Banks, insurers, landlords, suppliers, customers, government ...
- Reusability of certified (meta-marked) credentials
- API integration into 3rd party registries of directors, controlling parties
- Build relationships with D&B, Thomson ... for access to overseas registries
- Digital starter offering for new business
- Digital commerce offering for online merchants
- Customer and supplier verification and onboarding services
- Digital signatures and documents for regulatory compliance.

3. Starling Bank Business Account

Some of the features and benefits of Starling Bank's business account.

- No monthly fees for small businesses
- Deposit money at over 11,500 Post Office branches nationwide
- All eligible deposits are protected by the FSCS up to £85,000
- Manage cash-flow with real time
- Categorised transactions
- Share transactions with accountant or accounting software
- Switch from business to personal in app with a tap.
- Apply in under 10 minutes with 100% mobile signup
- 24/7 customer support
- Open Banking Marketplace

Starling Bank is one the UK's leading alternative banks and unlike other some other business accounts above offers FSCS deposit protection. They have authorised by the Prudential Regulation Authority since July 2016. What really sets them apart is the

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Starling Marketplace of third-party apps with integrations with services like Xero, PensionBee and Wealthify. They also have no monthly maintenance fee and don't charge fees to send or receive money via Faster Payments, Direct Debits, and Standing Orders. Therefore, Starling might be a good choice if you don't need in-branch services most of time and are happy to bank primarily via app or online.

4. General Issues to Consider

- **Government support and assistance** – Government should be broadly supportive of strategies intended to spur financial inclusion and improved SME access to finance. These are good stories that should play well and could very well be rewarded.
- **Banking Framework** – Government consistently chides the banking community for not providing SMEs with sufficient access to finance. POL should assume that Banking Framework push-back will be in direct proportion to the credibility of its UBA and Business Bank Account partner(s). We do not foresee issues related to UBA at this time. But business accounts are another matter. This will have to be managed carefully.
- **Data Analytics** – Without data analytics, POL will not compete effectively in SME or any other market. Data analytics start with knowing the identity of users (consumer and business) activity. POL needs a step change in its approach to data analytics.
- **Partnership model** – How to develop a long-term partnership with an entrepreneurial VC / PE backed firm that will eventually exit through IPO or trade sale? How to achieve positive proactive forward momentum over the long term?
- **Technology integration** – POL has much to gain from working with the latest generation of FinTech providers. They have developed solutions that dramatically reduce the costs to launch and operate new services. Integration with POL's legacy systems will be an important issue.

POST OFFICE
GROUP EXECUTIVEPAGE 1 OF 6
UPDATE PAPER

Transactional Banking

Authors: Jeff Smyth/ Barry Morse/ Chrysanthy Pispinis Sponsor: Owen Woodley Meeting date: 11th Sept. 2019

Executive Summary

Context

- Challenger Banks and Fintechs have substantially changed the banking landscape and given rise to new opportunities for providing better banking services to all consumers and small businesses. Irrespective of Post Office's (PO) reach and brand resonance, the above market changes are putting pressure on our existing product lines.
- In particular, business lines such as payments (sterling and forex) and retail FS will continue coming under pressure from disruptive business model and continuously increasing customer expectations. The banking disruptors will also give rise to better solutions for POCa, bill payments, Postal Orders and other products.
- PO plays an important role in providing access to essential financial services to those customers who need them the most. There is an opportunity for PO to play a greater role in 'front-of-wallet' financial services and in the broader financial inclusion agenda through a transactional banking capability.

Questions addressed in this report

1. What is the concept of a transactional account and why is it important for Post Office now?
2. How will it benefit Post Office's existing and new customers and impact current Post Office business lines?
3. What are our next steps and timelines, in terms of opportunity sizing and market engagement scheduling?

Conclusions

- PO customer reach & FinTech technology is a winning combination in an evolving market.
- The time is right. Multiple business lines from POCa to retail and transactional FS are under pressure. The situation will not improve without a next generation (account-based) platform for PO (financial) products for consumers and businesses. A strategic transactional banking capability / platform, able to meet multiple use cases, including a clear inclusion objective is the right thing for consumers, the government and society as a whole.
- The key challenge is to quickly find the right partner with whom to build a mutually beneficial relationship.

Input Sought

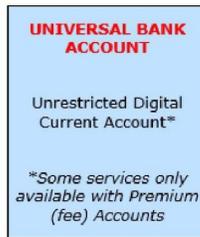
This is a complex topic and we have many unanswered questions. The GE is asked to provide its steers and any further considerations or questions the team needs to be mindful of and answer as it seeks to execute the next steps outlined.

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The Report

What is the concept of a transactional account and why is it important for Post Office now?

1. Challenger Banks and FinTechs have substantially changed the banking landscape and given rise to new opportunities for providing better banking services to all consumers and small businesses. Key drivers include:
 - a) Regulation: Government / regulatory policy changes have enabled a flood of new entrants into the provision of banking services. A continuum of banking licenses are readily available to all serious participants. Having started with Advanced Payment and e-Money licenses, the most serious Challengers have now graduated to full banking licenses. Open APIs, broader access to Faster Payment Scheme (FPS), and similar initiatives have opened banking infrastructure to all
 - b) Technology: Challenger banks and their FinTech suppliers are building new digital-only solutions that have major advantages over the vast legacy systems developed over generations by the major traditional banks. These systems feature compact cloud-based banking cores, native multi-device support, the latest in cyber and fraud detection, AI and bureau-based credit scoring, direct rails to FPS via ClearBank, low cost multi-currency payment rails and open banking APIs for third party offerings
 - c) Reduced Operating Costs: The combination of regulatory liberalization and new technology has facilitated a serious reduction in costs
2. The same forces will have a negative impact on the medium-term outlook for retail and transactional FS products. The challenger banks will also give rise to better solutions for POCa, bill payments and other products.
3. One of the outcomes achieved in our negotiations with Bank of Ireland is the ability to contract with a new provider for current accounts/ transactional banking (personal and small business).
4. The above circumstances make this the right time to establish a transactional banking offering; our central premise is that this is best achieved by partnering with a fintech (rather than a 'traditional' bank with legacy systems), allowing PO to benefit from flexible technology, and the fintech to benefit from our access to the UK consumer market.
5. In a saturated, price-led, ultra-competitive current account market, with relatively low customer switching levels, ease of use and differentiation will be need to be core components of a transactional offering from PO. Our working hypothesis is the introduction of a 'universal bank account', with 'modular' features and capabilities depending on the customer need, and which would also meet the needs of the financially excluded:
 - a) PO would partner with a fully UK-licensed 'challenger bank' to provide basic and premium current accounts to anyone achieving Verify credentials (noting that more vulnerable customers may not be able to complete a Verify process).
6. The table overleaf outlines potential features and approaches; they are indicative at present, and would be developed into a roadmap, taking into consideration, inter alia, customer needs/use cases, commercial return, current contractual obligations and exclusivity restrictions.



- Unrestricted single and/or multi-currency current account (IBAN)
- Unrestricted debit card (single and/or multicurrency)
- Joint accounts, multiple cards ...
- UK ATM enabled Contactless EMV
- BACS, FPS, UC, DC inbound transfers
- SuperApp mobile interface:
 - Information & Advice; Pension Dashboard; Pocket-type tools; ID services; Easy Bill Pay, P2P payments, remittances, standing orders, ...; TravelApp functionality ...
- Customer onboarding with PO ID Services (requires Verify-level enrolment)
- Banking Framework Plus access to PO ATMS and cash services (deposits, withdrawals, orders)
- Onboarding with PO ID Services?
- Customer access and support (mobile, online, in branch, telephone)

- Integrated Digital marketplace for financial services
 - Savings, investments, credit cards, overdrafts, loans, mortgages, insurance ... POL products; Partner products; third party products

7. Many UK citizens and legal residents find themselves unable to enjoy the full benefits of the UK financial system, getting no advantage of basic banking services (current and savings accounts), reasonably priced credit or time & cost efficient bill payment services. The under-served market consists of 5-8 million people. It represents a core constituency within the 17 million consumers that regularly visit our branches.
- a) We have already enrolled more than 1.1 million Universal Credit recipients in Verify. Just that process alone meets KYC-AML requirements to open bank accounts. The PO has important advantages in launching new services into this market, namely our trusted brand, incumbent offerings and unrivaled network

How will it benefit Post Office's existing and new customers and impact current Post Office business lines?

8. We envisage the 'universal' bank account to have unrestricted multicurrency transactional/current account and debit card functionalities, with use cases to be fleshed out over time. Non-cash FX is the priority use case, but there is a multitude of use cases and opportunities – all based off the same strategic platform.
9. **Non-cash FX:** The Board discussion in July 2019 outlined that the growing segments of the travel money market are the debit and credit card segments, comprising of ~60% of travel money spend and growing; the 30% FX cash & ~5% prepaid card (segments where PO is currently present) are declining. The introduction of a multicurrency transaction account & debit card would address this gap and put PO a better position to compete in the FX market, on the assumption it wants to be #1 in Travel Money.
10. One of the earlier working assumptions was that this account would offer a solution/response to the DWP bid for POCa (due in October 2019). Current DWP requirements seem to be moving towards a voucher-based service (as opposed to a bank account or even pre-paid card). As such, the Retail team is managing the DWP POCa process separately. Depending on the timelines of a new transactional banking solution, the existing POCa customer base could be migrated to this account, and ahead of the currently planned POCa closure in late 2021.
11. Other use cases, for financial and non-financial products, can be considered over time. SME banking is one such use case. This could be on a standalone/exclusive basis, (e.g. through existing partner relationships) or in a 'marketplace' type approach for potential new products (e.g. Investments). The business models and approaches can vary depending on the product and customer need.
12. Another central hypothesis is that customer verification (and perhaps on-boarding) would happen via PO digital ID services – though solutions will also need to be available for the more vulnerable or excluded.
13. Building a successful business model for the "inclusion" market is challenging. Government limits the fees associated with Basic Bank Accounts (BBA) and carefully

monitors cross-selling / bundling more profitable / add-on services. Success will depend on establishing a 'premium' version of an account amongst a broader community of consumers and SMEs. Revenue would be achieved from balances, 'premium' account fees, potential government incentives, a marketplace (PO sales & third party commissions).

- a) One avenue that could be explored is in partnership with existing Banking Framework partner(s), and support migrate their existing BBA customer base
14. Developing such a proposition (in contrast to current and future 'point' solutions/ card-focused strategies) is a heavy lift, and requires significant resource in the long-term in order to build a capability that meets a multitude of use cases over the coming 3-5 years; but it gives PO longer-term strategic capability, in a phased approach. It would provide PO a platform for sterling and non-sterling payments – supporting current customer retention across a variety of products – and a 'gateway' for additional products and services. As existing partnerships expire in the coming years (e.g. MoneyGram in 2021), it gives PO optionality in terms of meeting customer needs through different business models. The flipside is that this is a complex piece of work, with no easy/quick-wins.
- a) The market is increasingly offering consumers and businesses faster, cheaper and easier ways to manage finances and financial transactions. By providing or having open access to their customers' current accounts, competitors can offer them new solutions that bypass the current intra-bank, inter-bank and credit card 'rails'.
15. Setting up a broader transactional banking / strategic platform capability does not come without risks, which include:
- a) Proposition differentiation
 - b) Timing to market
 - c) The wider commercial construct and medium-term profitability (for PO and the partner)
 - d) PO's ability to execute quickly and efficiently
 - e) The positioning of such a capability against existing product lines and partner relationships, in particular the Banking Framework, and the Bank of Ireland (for retail FS and FX)
 - f) Considerations such as regulatory/ licensing constraints, procurement, etc.

What are our next steps and timelines?

16. **Understanding of the commercial relationship and value exchange:** on the assumption that the partner will shoulder most of the operating cost, we will need to work through quickly what PO can offer that has most value (brand, customer access, unique proposition, etc.). Whilst a consumer transactional account might have challenging economics, considering that alongside an SME banking proposition could significantly enhance the economics for both parties (As previously discussed at GE, any SME proposition development would need to be considered in light of the Banking Framework)
17. **Market soundings of potential partners:** PO requires a partner (or eco-system of partners) who holds the required banking licenses, has great technology, shares our commitment to the UK consumer and is willing to craft a (long-term) partnership that meets PO's needs and constraints. Please refer to Appendix Figure 1 for key qualifications and terms of reference for partner discussions
18. **Development of Business Case:** Key workstreams that will feed into the Business case development are as follows:

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Streams	Primary Activities	Primary Output
Partner Engagement	Partner qualification, Work to Terms of Reference, targeting, approach, confidential discussions	Partner plan, revenue assumptions
Marketing & Market Research	Market data, internal data analytics, competitive landscape, business model (pricing / revenue assumptions)	Market plan, Marketing plan
Products, Technology & Operations	Core offering, roadmap, marketplace, PO integration, PO Money platform sharing & marketplace sales	Product roadmap, operations plan, cost assumptions
Business Impact & Liaison	POCa / DWP planning, Banking Framework; and all other current PO offerings	Interim messaging, information exchange with all lines of business
Legal & Finance	Partnership structure, NDAs, partner procurement planning, exclusivity arrangements, financial plan	Partnership structure options Procurement options Financial model

19. The project will be predominantly resourced through existing headcount in the FS product team. Funding will be requested for 'chargeable' resource (Project management, IT, legal, etc.) and for specialist consultant resource – the latter required to support market expertise and 'informal' sounding of the market.

20. **Proposed timelines** (subject to any procurement considerations):

- a) Project Start 11th September
- b) Shortlist of potential partners: 30th October
- c) Business Case January 2020



Appendices

Figure 1A: Partner Qualification

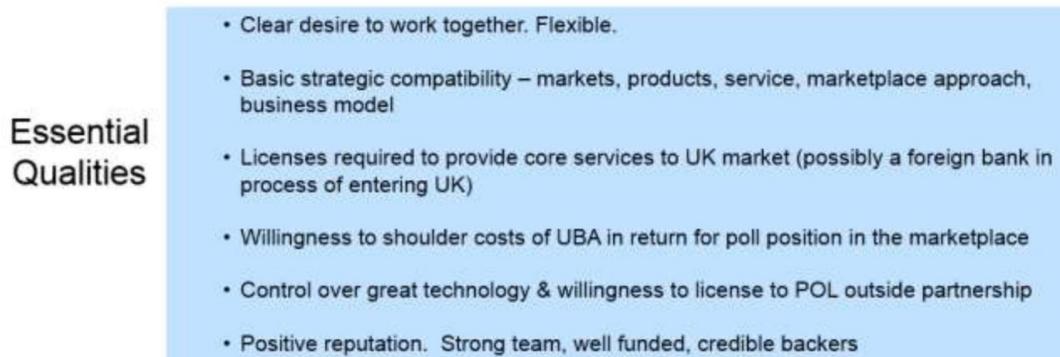
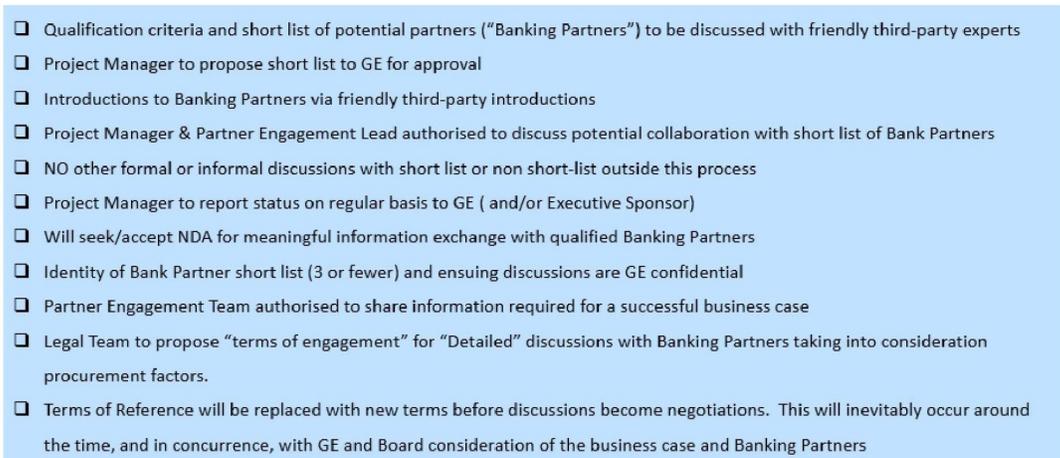


Figure 1B: Terms of Reference for Partner Discussions



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British Gas GE Update

Andrew Goddard

Sept 11th , 2019

Executive Summary

- BG awarded PZBP an exclusive 5yr contract (signing 30/9), replacing existing POL contract and enabling access across POL & PZ network. Go Live date is Jan 1, 2020 with full transition from Paypoint
- Winning BG represents a major success in delivering the Payments strategy, endorsing the rationale for buying Payzone to leverage the larger network to secure new clients and generate incremental footfall
- Winning key clients leads to winning major retail groups eg, Coop, SPAR et al & the critical dependency to deliver rPos integration, backed by HiH
- British Gas have 2.5m pre-pay and post-pay customers (of 23m in UK) paying Over the Counter, generating 100m transactions pa (20% of the bill payment market), with 80% of transaction via Paypoint outlets and 20% via Post Office
- With the POL and PZ network every British Gas customer in an urban area is within a mile of the network and every rural customer is within 3 miles of the network
- Over the 5year term, the deal will deliver **IRRELEVANT** transactions, generate £38m gross revenue. **IRRELEVANT** net income (after Agents' pay) and funding of CAPEX of **IRRELEVANT** with payback in **IRRELEVANT**
- Critical dependencies are Paystation deployment with upgrade of POL terminals & ADI functionality (Additional Data Items) across POL estate



1

September Update

Key successes / progress in August

- Confirmed delivery of pre-paid product on PZ network by Oct
- Agreed business requirements document (products, settlement, invoicing) with BG
- Retail readiness of PZ network well advanced & engagement & signage program commenced
- Successful engagement with all key suppliers to deliver the project (Siemens, Itron, Accenture, Ingenico, ATOS)
- Cemented project team and work-stream leads around a detailed critical path with dependencies & risks
- Improvements in working engagement with key stakeholders across POL and PZ following Scottish Power launch eg, LRC, IT

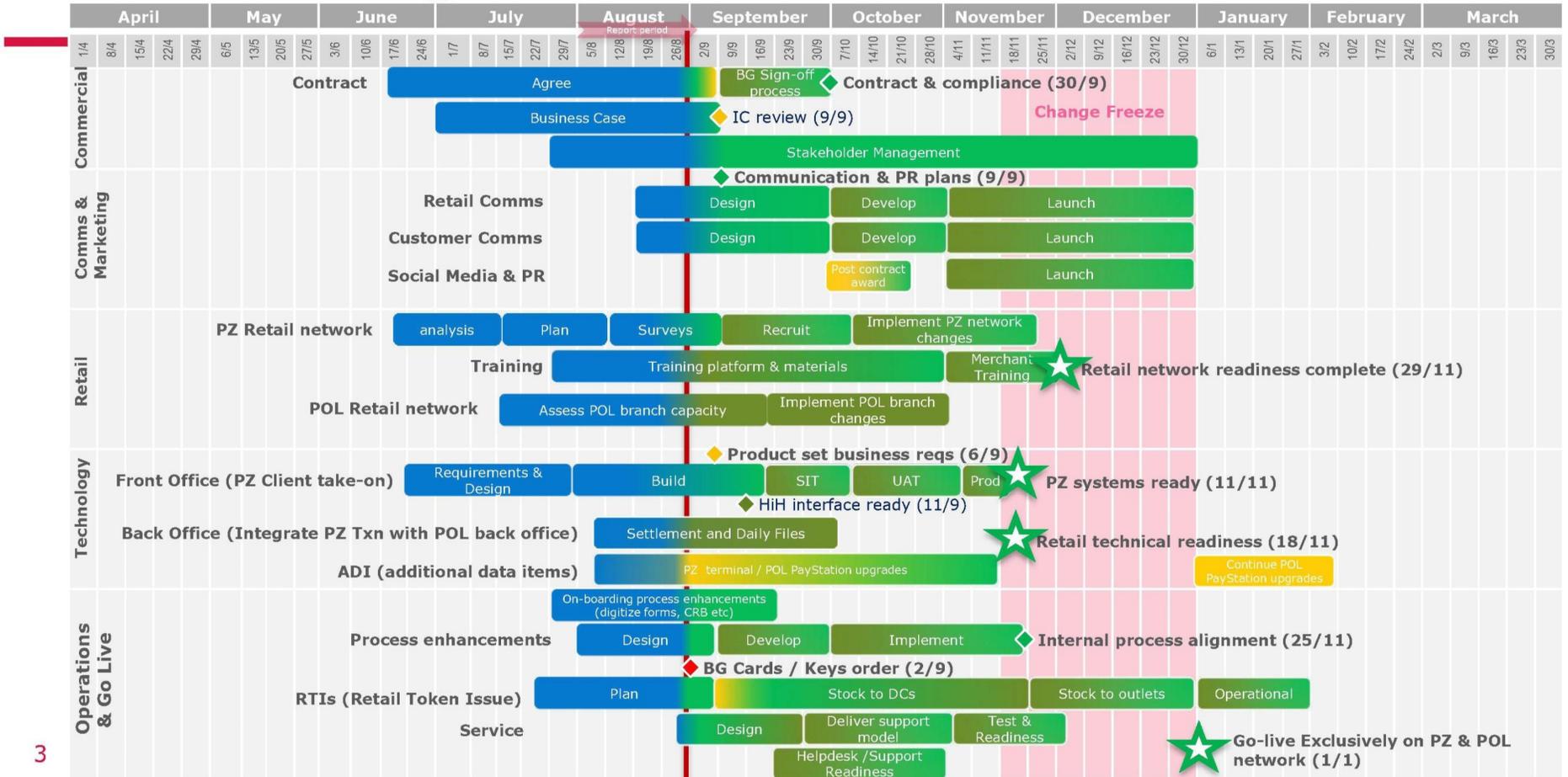
Key priorities in September

- Signing Contract
- Approve Investment request
- Senior engagement meeting and updates
- Finalise customer & agents marketing plan and PR launch post-contract signing
- Enable legacy pre-payment & post-payments transactions on PZ network
- Commence development of ADI functionality
- Deliver Smart Energy solution via HiH
- Accelerate Paystation deployment & initiate new XAC terminal program team



2

High Level Critical Path



3

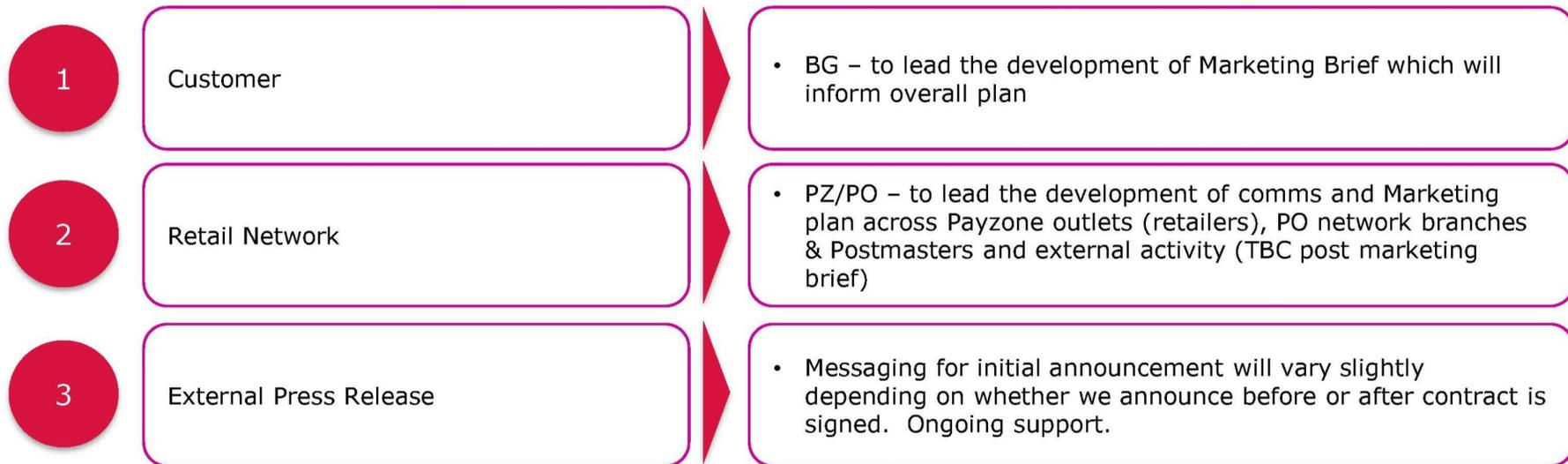
Major Risks & Mitigations

Risk	Mitigation
1. Contract signing delays due to unresolved position / approval governance around BG request for IRRELEVANT IRRELEVANT	• Risks low of business failing to meet operating requirements and dependent on BG agreement to a IRRELEVANT
2. Failure to deliver 91% ADI (additional data information) coverage across Pol and PZ network by end Jan & 100% by end April	• PZ network will be complete by 31/12 • Confirmation from IRRELEVANT & potential premium payment (tbc) • Deployment of IRRELEVANT device as Paystation replacement
3. Delays in finalising customer marketing plan impacts effectiveness	• Established senior BG & POL/PZ engagement • BG finally dedicated experienced program lead • Bi-weekly marketing meetings in place
4. 3mth lead time for replacement key & card distribution to PZ network, impacting provision of the service	• BG to place order wc 9/9

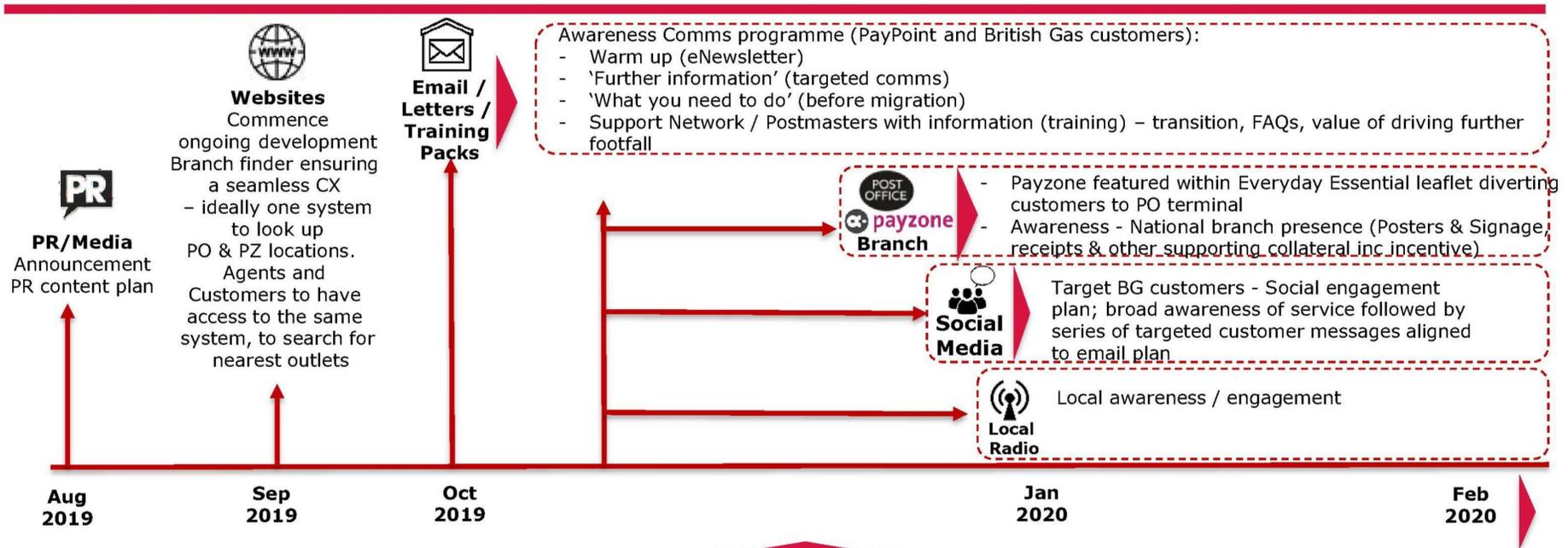


Customer Communication Plan

We need to deliver an effective communication plan, that minimises customer disruption and delivers a seamless, improved CX



Snap-shot of marketing activity



Internal Comms

Series of internal engagement comms for Postmaster and Payzone agent community:

- Launch: comms & regional engagement events
- On-going comms including infographic and video platforms
- Hothouse regions with additional support to embed (in particular vulnerable customers)
- Briefing call centre

British Gas

Support activation of British Gas comms channels targeting their customers that are paying at Paypoint. Channels include

- DM & Email
- IVR & Call centre
- Social Media
- BG bills & pre-paid card material

GE Monthly 11 September 2019-1/09/19

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Retail Readiness – POL Impact

The vast majority of Post Offices will accommodate incoming volume with minimal operational stress, due to the simplicity of bill payment transactions and existing operational head room:

- c.30% of the Post Office network will see an increase of below 25 tx per week, which is an increase in customers of less than 5%
- c.30% of the Post Office network will see an increase of 25 - 100 tx per week, which is an increase in customers of between 5% and 10%
- c.30% of the Post Office network will see an increase of 100 – 200 tx per week, which is an increase in customers of between 10% and 20%
- c.10% of the Post Office network will see an increase of more than 200 tx per week, but only 100 of those branches may need to use additional counters to ensure customer service is not negatively impacted. The majority of these branches already have equipment already available which is not currently being fully utilised

Over the next 3 months all Post Office branches will be visited between 1-3 times to ensure all equipment, staff and processes are fully ready to absorb all incremental BG transactions.



Retail Readiness - Payzone Impact

With 95% of outlets expecting an increase of up to 200 transactions per week (29 per day), we do not expect any operational issues in managing the new British Gas transactions in the Payzone network.

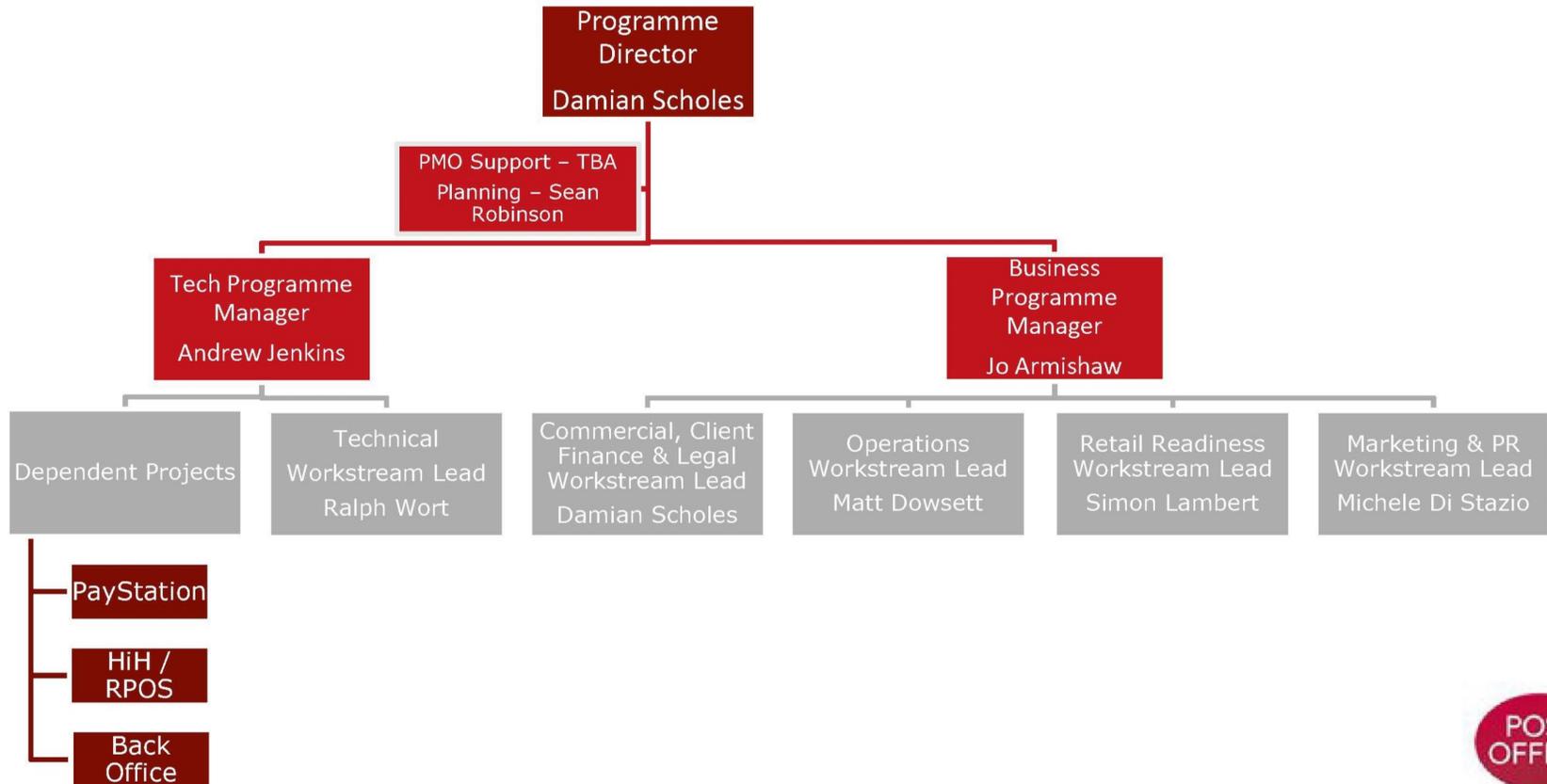
A summary of the expected impact is provided below:

- c.25% of the PZ network is forecast to have an increase of less than 25 tx pw
- c.55% of the PZ network is forecast to have an increase of between 25&100 tx pw
- c.15% of the PZ network is forecast to have an increase of between 100 - 200 tx pw
- c.5% of the Payzone network is forecast to have an increase of over 200 tx per week, with only 8 branches forecast to have an increase of over 500 tx per week

Over the next 3 months all Payzone locations will be contacted or visited to ensure all equipment, staff and processes are fully ready to absorb all incremental BG transactions



Program Structure



5



POST OFFICE LIMITED
AUDIT & RISK COMMITTEE

Belfast Datacentre Disaster Recovery Exercise

Author: Craig Bibby Sponsor: Shikha Hornsey Meeting date: 23rd September 2019

Executive Summary

Context

The Fujitsu operated Belfast Datacentre hosts Horizon our Post Office counter trading application, and other business critical applications. The resilience of this datacentre has not been completely tested since 2013 due to the high risk of recovery of some obsolete applications (POLSAP) and equipment in the legacy estate. Post Office policy for critical infrastructure is to conduct annual IT Disaster Recovery (DR) tests to ensure that should an incident occur we can be confident of these plans. It is also a commitment to a number of our partners, clients and our customers.

On 24th August 2019 a failover test was attempted, but could not complete. This paper provides an update on the test and recommends next steps.

Questions addressed in this report

1. How did the failover test go?
2. Has our risk position changed?
3. What are our recommended next steps?

Conclusion

1. There are lots of positives to take from the well planned test execution and many lessons learned. It's reassuring to know 6 years after the last attempt that the Horizon application and key live product integrations worked. However a number of small niggles delayed progress and ultimately at 2am an internal datacentre network routing issue was found. The rollback was successful and Post Masters were ready for trading by 5am.
2. Whilst we have higher confidence in our ability to failover, fundamental elements of a successful full DR test still haven't been completed and it can be argued that we haven't met our contractual obligations. Should the failure be made public, it could worsen our PR risk.
3. We explored 3 options: a full DR test over Christmas, a full DR test over May bank holiday, or a partial DR test October 12/13th followed by full DR in May 2020. Our recommendation is the final option as a partial test will allow us to confirm our trading platform works in a DR situation, materially changing our risk profile.

11

Input Sought

Agreement to proceed on Saturday October 12th to failover to the secondary datacentre, run a suite of model office transaction tests and failback before Branch trading operations on Sunday 13th.

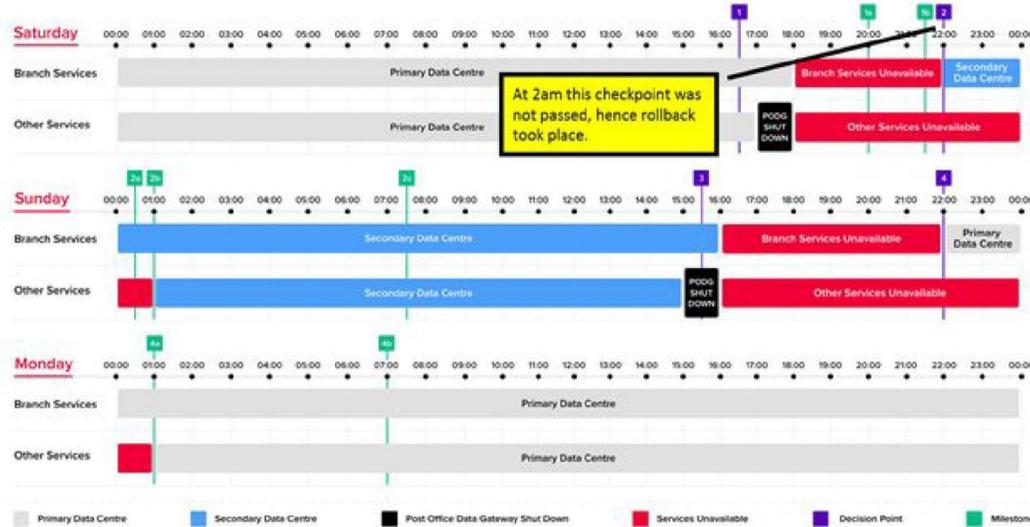
The Report

How did the failover test go?

All pre-test activities were completed successfully in the build up to the exercise, with one minor hardware issue reported and quickly resolved, culminating in a GO decision on Thursday 22nd August. Test environments were shut down and baseline testing performed on Friday 23rd August. The exercise commenced at 17:00 Saturday 25th August.

Time	Objective	Result
Saturday 17:00	Post Office Data Gateway (PODG) shutdown	Completed
Saturday 20:00	Controlled shutdown of the Primary datacentre and MasterCard disconnect Vocalink connection	Completed
Saturday 20:00 – 22:00	Failover to Secondary datacentre. Hardware and applications brought online.	Completed
Saturday 22:00	JPMorgan confirm Fujitsu online banking. Connectivity confirmed with DXC for POCA (Post Office Card Account)	Completed
Saturday 22:20	MasterCard implement Vocalink connection	Completed
Saturday 22:30	Connect Counters to the secondary datacentre for model office testing	Failed
Sunday 01:00	Restore PODG and Horizon online services in the secondary datacentre.	Not tested
Sunday 02:00	POL decision to regress and failback to primary datacentre	Completed
Sunday 02:12	MasterCard disconnect Vocalink connection	Completed
Sunday 02:15	Logs recovered, failback to primary datacentre initiated	Completed
Sunday 02:30	Failback to primary datacentre	Completed
Sunday 05:00	MasterCard implement Vocalink connection	Completed
Sunday 05:03	Branch trading restored	Completed
Sunday 06:00	Network banking connectivity confirmed	Completed
Sunday 08:00	PODG and Horizon online services restored, overnight batch initiated	Completed
Sunday 15:00	All back office file processing confirmed and validated	Completed

The plan below shows the checkpoint at which the test was halted. Horizon was available for trading the next morning by 5am, with all follow on batch files delivered to our clients and back office systems.



WHAT WENT WELL?

There were a number of significant milestones achieved and activities completed that give us confidence in any future test.

- Fujitsu’s technical plan was robust with controls in place to regress, enabling POL to take the decision to protect service and assure no trading impact.
- Once a decision was made the failback procedure was executed quickly and branch trading ability was restored in good time.
- All hardware components and applications were stood up successfully in the secondary datacentre.
- The support of all key partners was very good, implementing changes to enable the test and providing support in diagnosis where required.
- The back office file processing was manually processed by Accenture with no customer impact, with POL users also validating data quality successfully.
- Proactive communications to branches were sent through all available channels, including customer information posters, posted to branches.
- Communication to our clients detailing the impact to trading and client files was largely effective, although 2 of 562 client’s files were escalated by clients. These were quickly resolved during the exercise and have been added to our planning for next time.

11

WHAT WENT WRONG?

Technical and organisational improvements have been identified, with remediation plans detailed below.

Issue	Description / Resolution / Action	Status
Technical		
No Branch Access to Horizon	<ul style="list-style-type: none"> ➤ The load balancer was hiding source IP meaning that the counter IP wasn't being sent through to the network reverse proxy for authentication. This was caused by incorrect source Network Address Translation (NAT) on the Citrix Load Balancers. ➤ There was insufficient time to resolve during the test but logs were taken. Fujitsu have now made changes, and technical teams have proposed how these can be tested prior to a full failover. ➤ Testing is planned for 28th September (more info included below in next steps). 	Likely resolved, pending re-test
Counter policy routing	<ul style="list-style-type: none"> ➤ Additionally, there was inaccurate policy based routing for counters and any traffic would not have been returned. This error was discovered after the test, on analysis of the network logs taken. ➤ Configuration change applied and issue resolved. ➤ Testing is planned for 28th September. 	Likely resolved, pending re-test
Vocalink connectivity	<ul style="list-style-type: none"> ➤ Vocalink connection was initially unsuccessful on failover, the issue was resolved and validated without any intervention. ➤ The route cause is being investigated with MasterCard. ➤ This does not impact the decision to retest. 	Under investigation (does not prevent re-test)
Branch database storage	<ul style="list-style-type: none"> ➤ Incorrect storage presentation to branch database, due to incorrect mapping. This caused a 30min delay during the August DR test, configuration was correct, storage represented and resolved during the test. 	Resolved during August test
Communications		
Digital Channels	<ul style="list-style-type: none"> ➤ Digital team did not have sufficient lead time to use all proactive customer channels. ➤ Communication team lesson learnt, this will be incorporated into communication plan. 	Lesson Learnt
Client Engagement	<ul style="list-style-type: none"> ➤ Two clients reported delayed files during the exercise, despite proactive communication of the exercise impact. ➤ This will be addressed with Post Office CRM's for Santander & Global Pay to ensure information is passed to client's Operational teams. 	In Progress

11

Planning & Execution		
IT Service Desk	<ul style="list-style-type: none"> ➤ The service desk did not inform callers directly that these issues were due to a planned test – although instructed too. ➤ This will be re-emphasised with the desk before the next test. 	Improvement action for next time

Has our risk position changed?

BUSINESS CONTINUITY

Overall we perceive the risk to our business continuity has reduced due to the successful components and technical updates following lessons learned in the test. However some fundamental items remain untested.

Positive changes to risk position		Unchanged or negative changes to risk position	
Across the business and key partners the planned approach is well understood, and was working in practise.	↓	Branches could not connect to the Horizon application to perform any live transactions.	→
All applications were shut down successfully.	↓	A full day's volume of transactions did not occur.	→
The Horizon application was stood up in the secondary datacentre for the first time in 6 years.	↓	Failing back with additional transactions in the database (a slightly different process) was not completed	→
The live connections to banking (Vocalink), Paystation (Ingenico), AEI Booths (Thales) and payments were confirmed as active (although no transactions).	↓	Nightly batch integrations (PODG) were not processed from secondary datacentre, following a days transactions.	→

11

FACTORS IMPACTING OUR DECISION TO TEST

Prior to conducting the test we evaluated a number of factors. These are re-evaluated below.

Factor	Change in evaluation
Risk to trading in a disaster situation.	<p>See section above - we evaluate that this risk has reduced.</p> <ul style="list-style-type: none"> ➤ Known technical issues have been remediated with changes and a plan to test these fixes is in progress. ➤ Positively the applications were fully stood up in the secondary data centre with links to 3rd parties for live integration tested.

Factor	Change in evaluation
How long Post Office bears the above risk	This factor remains unchanged from when previously evaluated – it is still likely Post Office will remain on Horizon in the Belfast datacentre for some time, the Belfast Exit project has not re-started.
Commitment to clients & banking framework	Post Office policy commits to performing business continuity tests at least annually. It could be said that we've met the terms in the banking framework which states that Post Office should, "test and update their business continuity and disaster recovery plan annually. Post Office shall promptly implement any necessary remedial actions identified by or as a result of such tests", however it could also be argued that it is implied that the test should be successful.
Group Litigation Order and media coverage	Post Masters, clients and partners were communicated to frequently on the lead up to the test. It was also communicated that the second outage window was not required. Whilst we've not seen any media coverage on this issue, we can only assume that it could be known our DR test could not complete. A re-test will require further outages, but assuming it is successful we will at least be able to confirm our DR plans work adequately.
The risk of conducting the exercise	Having just completed a significant portion of the test, overcoming a number of issues on the way and safely failing back. This risk is somewhat reduced.

What are our recommended next steps?

We have seriously considered 3 options. The first two follow the same process we followed for this bank holiday; failover on a Saturday, full day's trading on secondary on Sunday, failback to primary for bank holiday Monday. We haven't considered a non-bank holiday weekend due to the increased risk to trading. Our options are:

1. Full test May 2020 bank holiday
2. Full test over Christmas
3. Partial DR test on October 12th followed by full test in May 2020

In all cases we first need to confirm that the network issues that prevented success in August have been resolved. This in itself requires some Branch downtime.

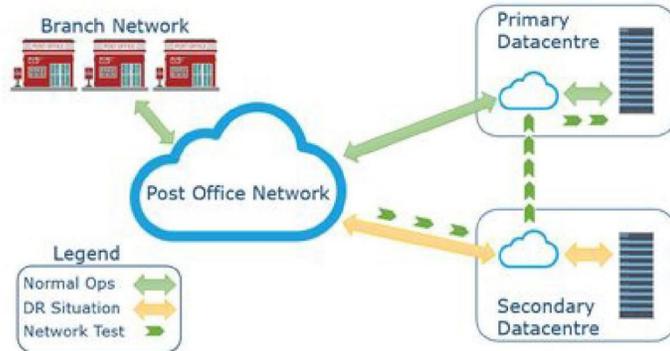
ISOLATED NETWORK TEST

The proposed way to test the network without full application failover is to route all live counter transactions through the secondary network, whilst all applications remain uninterrupted in primary. Switching the network requires at best a 3 minute downtime for the network. We've selected 10pm on Saturday when we expect c.505 branches to be open, with between 1-4 transactions a minute across the network. We will communicate the following to Post Masters:

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Board Intelligence Hub template

10pm – 10 min downtime. Error message displayed in Horizon
 10:10 – Normal trading resumes. Model office testing begins
 10:40 - 10 min downtime. Error message displayed in Horizon
 10:50 – Normal trading resumes



DR TEST OPTIONS

1. Conduct a similar test over May 2020 bank holiday

The plan and approach for this is clear, however it means retaining our current risk until May 2020.

2. Conduct a similar test over Christmas

Perform a full test during the Christmas period. The graph below shows transactions for the last Christmas that fell on a Wednesday, compared to an average week. The opportunities to run a day’s test on secondary with lower transactions than usual are the 24th, or 31st meaning failover would start on the 23rd, or 30th.

This is technically possible but we judge the potential PR risk to be higher due to the time of year. Additionally whilst we have time to lock-in resources, some important people within Post Office and are partners will no doubt be unreachable.



3. Partial DR test on October 12th, followed by full test in May 2020

Over a standard weekend we do not want to fail to secondary for an entire day due to the increased risk to trading on the Sunday or Monday due to issues in failback. However we have technically planned for a fail over – fail back in one evening.

The proposal is to:

- Saturday 28th Sept - Confirm the network issues have been resolved by routing network traffic temporarily through the secondary data centre (pre-requisite to the below).
- Saturday 12th October 6pm – Failover to secondary datacentre. Conduct transaction and live service testing from Model Office 10-2am. Failback to primary confirming all transactions are correctly reconciled.
- Sunday 13th October 6am – Primary System available for trading.

This would materially improve our risk position (see updated table below) having confirmed our trading platform can failover as planned. We are investigating also bringing up PODG in our secondary datacentre and using a test file to demonstrate that batch processing could occur. This would turn the bottom right arrow partially green also.

Positive changes to risk position		Unchanged or negative changes to risk position	
Across the business and key partners the planned approach is well understood, and was working in practise.	↓	Connection from branches to Horizon for live transactions would have been confirmed	↓
All applications were shut down successfully.	↓	A full day's volume of transactions did not occur.	→
The Horizon application was stood up in the secondary datacentre for the first time in 6 years.	↓	Failback to primary with transactions conducted in secondary would have been tested.	↓
The live connections to banking (Vocalink), Paystation (Ingenico), AEI Booths (Thales) and payments were confirmed as active (although no transactions).	↓	Nightly batch integrations (PODG) were not processed from secondary datacentre, following a days transactions.	→

Following this we would wait until May 2020 to complete full annual DR, and maintain the schedule annually going forwards.

POST OFFICE
GROUP EXECUTIVEPAGE 1 OF 4
DECISION PAPER

Business Travel Contract

Author: Angela Lamarra Sponsor: Barbara Brannon Meeting date: 11 September 2019

Executive Summary

Context

Post Office's current Travel Management Company (TMC), Capita Travel & Events, were contracted to provide services until 30 Sept 2017. The contract was extended non-compliantly in order to run a tender process using a Crown Commercial Services framework. This framework was repeatedly delayed requiring a further non-compliant extension before Post Office could commence a tender process.

Following an open and fair procurement competition during 2018, Capita were awarded the provision of Online and Offline Business Travel Solutions.

Questions addressed in this report

1. What do we propose to do and why?

The Post Office Business Travel Management Contract with Capita & Events expired on 30 Sept 2017 and was extended non-compliantly pending the availability of the CCS "RM 6016 Public Sector Travel and Venue Solutions".

2. What options did we consider?

Alternatives to delaying and extending non-compliantly were considered however Post Office would lose central government buying power and associated discounts against a rising market by running a full public tender [OJEU]. All large TMC organisations were bidding to be appointed to the CCS Framework and were content to wait.

Following a PCR-compliant tender process, Capita have been awarded subject to contract, as they met both Post Office requirements and demonstrated 'Value for Money'.

3. What do we need to do next to progress?

The Board is asked to approve the contract with Capita Travel & Events at an estimated value of £3.5 million per annum. This estimate is based on average year on year spend, may go up or down based on Post Office demand and therefore approval headroom up to £10m is requested. There is no minimum spend commitment aside from travel manager services at circa £61k p.a.

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POST OFFICE

PAGE 2 OF 4

Conclusion

1. The Board is asked to approve the contract with Capita Travel & Events at an estimated value of £3.5 million per annum. This estimate is based on average year on year spend, may go up or down based on Post Office demand and therefore approval headroom up to £10m is requested. There is no minimum spend commitment aside from travel manager services at circa £61k p.a.
2. The Initial contract term will complete in 28/02/2021. CCS are proposing to extend the Framework out to February 2023 which Post Office may take advantage of if the commercial terms are acceptable. An additional 12 month Termination Assistance Period, ending in Feb 2022, can be utilized if needed. Should Post Office wish to extend the contract out to the full length of the Framework, additional approval will be sought.
The awarded provider Capita are the incumbent supplier therefore there will be no interruption of the service or any material transition/exit plans to implement. Capita have launched a new travel portal which they propose to migrate Post Office to and this forms part of their proposal.

Input Sought

1. The Board is asked to approve the new Business Travel contract with Capita at a value of £10 m (non-committed spend) until 28/02/2021 including a termination period of 12 additional months.

Input Received

1. Procurement
2. Contract Owner: Barbara Brannon
3. Legal

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Summary

Business Requirement	<p>Post Office needs to ensure ongoing travel management services through an integrated, full service TMC that covers Rail, Air, Hotels.</p> <p>Travel Management services include:</p> <ul style="list-style-type: none"> • Provision of on-line and off-line booking services (Rail, Air, Hotel); • Access to preferred hotel rates based on aggregated volumes; • Compliance, service management and management information; • Travel Manager, etc.
Business Sponsor	Procurement: Barbara Brannon
Total Contract Spend/Value	<p>Spend: £3.5 mill per year (FORECAST) This includes Management/Transaction Fees (£61k per year) and pass-through costs (e.g. Travel Fares, Hotel, etc.). The spend is not guaranteed or contractual committed as this is a demand based contract</p> <p>Figures includes Business Travel and Hotel Accommodation</p>
Procurement Lead	Angela Lamarra
Budget Approval Status	<p>1) Contract Operation: Travel Services are funded on a per travel basis as required by the employee and his/her business area requiring the travel services.</p> <p>2) Procurement hold the budget for the fee paid to the Travel Management Company (TMC) for the Travel Optimisation Manager Service</p>
Liability	<p>The total aggregate liability of each of the Customer and the Supplier in respect of all Losses incurred under or in connection with the Enabling Agreement as a result of Defaults or Client Cause (as the case may be) shall in no event exceed in relation to any Default or Client Cause (as the case may be) occurring in the relevant Enabling Agreement Year, the higher of one hundred thousand pounds (£100,000) or a sum equal to one per cent (1.0%) of the Estimated Total Charges for such relevant Enabling Agreement Year.</p>
Risks and Mitigation	The new Online Booking Tool will be accessed via the CCS Platform. Capita will also launch a new

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	<p>website which will be more user friendly and will offer additional booking features. To ensure a smooth transition to the new online booking tool and platform, a detailed Implementation Plan will be provided by Capita and an Implementation Manager will be assigned. The implementation process will take 12 weeks.</p>
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POST OFFICE LIMITED GROUP EXECUTIVE

Decisions and Actions of a Group Executive ("GE") meeting held at
Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ
on 17 July 2019 at 09.30 hrs

Present:	Alisdair Cameron (AC)	Interim Chief Executive
	Mark Davies (MD)	Group Communications and Corporate Affairs Director
	Rob Houghton (RH)	Chief Operating Officer
	Ben Foat (BF)	General Counsel
	Mo Kang (MK)	Group HR Director
	Debbie Smith (DS)	Chief Executive – Retail
	Owen Woodley (OW)	Chief Executive – Financial Services, Telecoms and Identity, Group Marketing and Group Digital & Innovation
In Attendance:	Veronica Branton (VB)	Head of Secretariat
	Kathryn Sherratt (KS)	Finance Director (from item 5.)
	Adeola Oke (AO)	Consultant, Deloitte
	Micheal Passmore (MP)	Finance Director (items 1. & 2.)
	Ian Smith (IS)	KPMG (item 2.)
	Cathy Mayor (CM)	Finance Director – Retail (item 2.)
	Max Jacobi (MJ)	Head of Finance (item 2.)
	Alastair Roman (AR)	Finance Director (item 2.)
	Martin Edwards (ME)	MD – Identity Services (item 3.)
	Chrysanthy Pispinis (CP)	Director – PO Money (item 5.)
	Amanda Jones (AJ)	Network Director (item 6.)
	Nick Beal (NB)	Head of Agents' Development and Remuneration (item 6.)
	Meredith Sharples (MS)	Telecoms Director (item 7.)

Issues discussed. All items, with the exception of the pensions buy-out item, were for the 30/31 July Board Strategy sessions and changes to papers were discussed, agreed and reflected in the versions submitted to Board. **Actions**

1. Change Plan and Financial Performance Report

2. Financial Strategy for POL

3. Digital Identity

4. Pensions Buy-Out

5. Travel Money

To consider what banking permissions would be required for an FX linked current account. **BF**

6. Agent Remuneration

7. Telecommunications Strategy

Post Office Board Agenda

Date:	Monday 23 September 2019	Time	[12.30 – 16.30 hrs]	Location	1.19 Wakefield
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Present		Other Attendees		
• Tim Parker (Chairman)	• Tim Franklin	• Veronica Branton (Company Secretary)		
• Nick Read (CEO)	• Carla Stent			
• Ken McCall (SID)	• Tom Cooper			
• Alisdair Cameron (CFO)				
Agenda Item				
Agenda Item	Action Needed	Lead	Timings	
1. Welcome and Conflicts of Interest	Noting	Chairman	12.30 – 12.45 hrs	
2. Minutes of Previous Board meetings including Status Report	Approval	Chairman/ Veronica Branton		
3. Report back from Committees (verbal) - ARC Committee - Remuneration Committee - Nominations Committee	Noting	Carla Stent Ken McCall Chairman		
4. CEO Report (verbal)	Noting & Input	Nick Read	12.45 – 13.00 hrs	
5. Finance 5.1 Financial Performance Report	Noting & Input	Al Cameron	13.00 – 13.30 hrs	
6. FST&I and Retail Quarterly Reports	Noting & Input	Owen Woodley/ Kathryn Sherratt/ Emma Springham Debbie Smith/ Cathy Mayor	13.30 – 14.15 hrs	
7. Network i) Services of General Economic Interest Compliance ii) Network Report	Noting & Input Approval	Debbie Smith/ Tracy Marshall	14.15 – 14.35 hrs	
8. Royal Mail Negotiations	Noting & Input	Debbie Smith/ Mark Siviter	14.35 – 14.50 hrs	
9. Group Litigation Order (including mediation issues)	Noting & Input	Ben Foat/ Alan Watts	14.50 – 15.30 hrs	
10. Starling (Workers' rights case)	Noting & Input	Ben Foat/ Laurence O'Neill	15.30 – 15.40 hrs	
11. Legal Enterprise Optimisation (Framework Agreement and Articles of Association)	Approval	Ben Foat	15.40 – 16.00 hrs	
12. Health and Safety Report, including violence and robberies report	Noting & Input	Mo Kang/ Martin Hopcroft	16.00 – 16.15 hrs	
13. Contract approvals Employee travel services	Approval			
14. Items for Noting 14.1 Pensions Buy-out 14.2 Sealings 14.3 Future Meeting Dates	Noting	All	16.15 – 16.30 hrs	

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	14.4 Forward Agendas			
15.	Any Other Business	Noting and Input	Chairman	
16.	Date of next meeting 29 October 2019	Noting	Chairman	

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Group Executive Agenda

Date:	Wednesday 16 October 2019	Time:	09.30 – xxx	Location:	1.19 Wakefield
Present:					
<ul style="list-style-type: none"> • Nick Read (Chair) • Alisdair Cameron • Mark Davies • Ben Foat • Shikha Hornsey • Mo Kang • Debbie Smith • Owen Woodley 					
Other Attendees:					
<ul style="list-style-type: none"> • Veronica Branton (Company Secretary) Other attendees, as shown against agenda items					
Agenda Item		Action Needed	Lead	Timings	
1.	Five year plan	Approval for Board	Al Cameron/ Kathryn Sherratt	09.30 -	
2.	Agent Remuneration	Approval for Board	Debbie Smith/ Amanda Jones/ Nick Beal/ Cathy Mayor		
3.	DMB Update	Discussion	Debbie Smith/ Tracy Marshall		
4.	ATM Strategy	Approval for Board	Debbie Smith/ Martin Kearsley		
5.	Telco update (conclusion of the RFP and auction update)	Approval for Board	Owen Woodley/ Meredith Sharples		
6.	Group Litigation Order	Approval for Board	Ben Foat/ Amanda Jones/ Julie Thomas		
7.	Starling (Workers' rights case)	Approval for Board	Ben Foat/ Laurence O'Neill		
8.	Payzone Bills Payment Limited 8.1 Strategy and Update 8.2 Capital Injection	Approval for Board	Debbie Smith/ Andrew Goddard		
9.	Scoping for strategic work on customers	Approval for Board	Adeola Oke		
10.	Back Office Transformation: - plan to resolve underlying issues - restatement of confidence in the accounting controls in the interim - plan for cash management - plan for Transtrack.	Approval of plan to resolve underlying issues, restatement of confident in accounting controls in the interim, plan for cash	Shikha Hornsey [Ben Cooke/ Micheal Passmore/ Russell Hancock]		
10.	Review of GE Action Points		Veronica Branton		
11.	Items for Noting	Noting	All		

The Financial Performance Report and Quarterly Change Plan will be discussed at the GE meeting on 21 October 2019.

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Group Executive Agenda



	11.1 Health and Safety Report 11.2 Forward Agenda			
12.	Any other Business	Noting	All	
13.	Date of next meeting: 09.30 – 17.00 hrs, Monday 11 November 2019	Noting		

The Financial Performance Report and Quarterly Change Plan will be discussed at the GE meeting on 21 October 2019.

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Post Office Board Agenda

Date:	29 October 2019	Time	[11.45 – 16.30 hrs]	Location	1.19 Wakefield
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Present		Other Attendees	
• Tim Parker (Chairman)	• Tim Franklin	• Veronica Branton (Company Secretary)	
• Nick Read (CEO)	• Carla Stent		
• Ken McCall	• Tom Cooper		
• Alisdair Cameron (CFO)			

Agenda Item	Action Needed	Lead	Timings
Performance and current issues			
1. Welcome and Conflicts of Interest	Noting	Chairman	11.45 – 11.50 hrs
2. Minutes of Previous Board meetings including Status Report	Approval	Chairman/ Veronica Branton	
3. CEO Report	Noting & Input	Nick Read	11.50 – 12.10 hrs
4. Finance 4.1 Financial Performance Report 4.2 Quarterly Change Report	Noting & Input	Al Cameron	12.10 – 12.40 hrs
Break			12.40 – 12.50 hrs
Strategy			
5. Five Year Plan	[Decision?]	Al Cameron	12.50 – 13.30 hrs
6. Agent Remuneration	Decision	Debbie Smith/ Amanda Jones/ Nick Beal/ Cathy Mayor	13.30 – 14.15 hrs
7. Payzone Bills Payments Limited 7.1 Strategy and Update 7.2 Capital Injection	Noting & Input	Debbie Smith/ Andrew Goddard	14.15 – 14.45 hrs
8. Telco (conclusion of the RFP and update on the auction)	Noting & Input	Owen Woodley/ Meredith Sharples	14.45 – 15.15 hrs
9. Digital Identity	Decision	Owen Woodley/ Martin Edwards	15.15 – 15.45 hrs
10. Scoping for strategic work on customers	[Noting & Input or decision?]	Adeola Oke	15.45– 16.00 hrs
Updates			
11. Group Litigation Update	Noting & Input	Ben Foat/ Alan Watts/ Amanda Jones/ Julie Thomas	16.00 – 16.15 hrs
12. Starling (Workers' rights case) Update	Noting & Input	Ben Foat	16.15 – 16.20 hrs

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Approvals				
13.	Contracts	Approval		16.20 – 16.25 hrs
Noting and governance items				
14.	14.1 Health & Safety Report 14.2 Sealings 14.3 Future Meeting Dates 14.4 Forward Agendas	Noting	All	16.25 – 16.30 hrs
15.	Any Other Business	Noting and Input	Chairman	
16.	Date of next meeting 26 November 2019	Noting	Chairman	

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