



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

MINUTES OF A MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON TUESDAY 06 JUNE 2023 AT 100 WOOD STREET, LONDON, EC2V 7ER AT 10:30 AM

3.1

Present:	Henry Staunton	Chairman (Chairman)
	Lorna Gratton	Non-Executive Director (LG)
	Saf Ismail	Non-Executive Director (SI)
	Elliot Jacobs	Non-Executive Director (EJ)
	Ben Tidswell	Senior Independent Director (BT)
	Brian Gaunt	Non-Executive Director (BG)
	Simon Jeffreys	Non-Executive Director (SJ)
	Amanda Burton	Non-Executive Director (AB)
	Nick Read	Group Chief Executive Officer (NR)
 In attendance:	 Rachel Scarrabelotti	 Company Secretary (RS)
	Andrew Darfoor	Observer (AD)
	Kathryn Sherratt	Finance Director – Observer (KS)
	Zdravko Mladenov	Group Chief Digital and Information Officer (ZM)
	Katie Secretan	Strategic Partnerships Director (KSe)
	Tim McInnes	Strategy and Transformation Director (TM)
	Asha Patel	Financial Planning and Analysis Director (AP)
	Martin Roberts	Group Chief Retail Officer (MR)
	Ben Foat	Group General Counsel (BF)
	Diane Wills	Historical Matters Legal Services and Public Inquiry Director (DW)
	Gemma Ludgate	Inquiry Operations Director (GL)
	Simon Recaldin	Historical Matters Director (SR)
 Apologies:	 Alisdair Cameron	 Group Chief Finance Officer (AC)

Action

1. Welcome and Conflicts of Interest, Inquiry Undertakings and Officer Changes

Welcome and Conflicts of Interest

A quorum being present, the Chairman opened the meeting. The Chairman called for the Directors to disclose any conflicts of interest. EJ and SI noting their ongoing conflict of interest in being practising Postmasters. The Directors otherwise declared that they had no conflicts of interest in the matters to be considered at the meeting in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.

The Chair welcomed AD as an observer, as well as KS, and thanked KS for her contributions in AC's absence.

The Board acknowledged the attendance of AD and KS as observers at the meeting. As observers, the Board were aware that all contributions made by AD and KS to the meeting were observations only, and did not constitute advice, recommendations, directions or instructions. The Board confirmed that it would take due care not to be unduly influenced solely by contributions made by AD and KS and that it would reach its conclusion based on a balanced and diligent assessment of all the facts available to it.

Inquiry Confidentiality Undertakings



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

3.1

The Board noted that AP did not have a confidentiality undertaking accepted by the Inquiry in place, so AP would need to be excused from the meeting should the need to discuss information confidential to the Inquiry arise.

Officer Changes

TABLED and **NOTED** was a report, 'Officer Appointments'.

The Board **NOTED** the expiry of term appointment and step down of L Harrington from the Board on 1 June 2023.

The Board **RESOLVED** to **APPROVE**:

- (i) Subject to shareholder approval and the completion of satisfactory due diligence, Andrew Darfoor be appointed as a Non-Executive Director of Post Office Limited for an initial term of 3 years and as a member of the Company's Audit, Risk and Compliance Committee, with the Company Secretary instructed to file a form AP1 with the Registrar of Companies at the relevant time; and
- (ii) The appointment of Ben Tidswell to the Nominations Committee effective 2 June 2023.

The Board **RESOLVED** to **RATIFY** the appointment of Amanda Burton as Chair of the Company's Remuneration Committee effective 26 May 2023.

2. Minutes and Matters Arising

TABLED and **NOTED** were draft Minutes from the Board Meetings of 28 March 2023 and 24 May 2023. Subject to the Chair sighting BT's amendments to the draft Minutes from 28 March 2023, the Board **RESOLVED** that the Minutes of the Meetings held on 28 March 2023 and 24 May 2023 be **APPROVED** as a correct record of the Meetings and be signed by the Chair.

The Board **NOTED** the action log and status of the actions shown. EJ advised that the activities set out in items 6 and 7 remained to be completed so requested that these actions remain open. KS advised that she would consider item 1 and requested that this item be re-assigned to KS in AC's absence. LG advised that she had understood action item 1 had been raised in the context of NBIT, to see what products would remain profitable over what time.

3. Committee Reports (verbal)

3.1 Historical Remediation Committee

TABLED and **NOTED** were the following papers:

- (i) 'Detriment B - Qualification Assurance Summary';
- (ii) 'Detriment B Qualification Assurance Summary – Full Paper'; and
- (iii) 'Detriment B Qualification Assurance Summary – Full Paper Appendices'.

BT advised as follows:

- There were 3 issues that were being considered at HRC that may need to come to Board:



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

3.1

1. In relation to criminal cases, 3 further cases had been referred by the CCRC to Southwark Crown Court. [REDACTED] Previous decisions had been made to concede, then the Company had not proceeded to pay compensation; the optics of this were challenging. BT provided further detail of the cases and options. SJ reminded the Board that he was also a director on the board of the Crown Prosecution Service. BT advised his expectation that a decision in relation to these 3 cases would likely need to be taken by the Board shortly. **ACTION** BT shared his view that the Minister ought to be made aware of these cases and asked NR to advise the Minister. SJ queried the potential level of compensation in relation to the 3 cases. BT replied, providing a potential range, noting that any compensation would be unfunded, and advising that there could be more of these types of cases;
2. With HSS, aspects of the scheme were being queried, and the HSS would be considered in detail during Phase 5 of the Inquiry. A strategic approach was required in order to get ahead of the issues raised and in preparation for Phase 5 of the Inquiry, however it was proving difficult to have the team focus on these issues from a strategic perspective. Aspects of the HSS may need to be re-administered and this could be very expensive;
3. On Operational Remediation, BT outlined the previously agreed approach of HRC and Board to Pot B and the status on funding. There was a concern as to whether progress on Pot B had been timely enough and BT referenced views expressed previously by AC. If Board took the decision to ask Postmasters if there were any other categories than those currently identified in Pot B, the potential exposure was unknown and unfunded; this could create wrongful trading issues.

NR

Under the CIJ it was found to be an implied term of Postmaster contracts that the Company could not take repayment from Postmasters where unreconciled losses existed unless a proper investigation had been conducted. If the question was asked as to whether any other categories of Pot B existed, we should be able to identify where Postmasters had repaid money and compensate them, without investigating every case, as investigating every case was not thought viable. SJ compared this to the approach in financial services where every case would be investigated and advised that on the going concern point, SJ would rather unearth a potential issue early, and thought that the Company should be proceeding promptly. EJ contributed that Postmaster's may not have access to adequate data to make an assessment. BT replied that the issue was largely about short falls and if it could not be established that the Company was entitled to any monies repaid by Postmasters then compensation would be paid. On the funding point, LG shared her view that it was not clear as to whether funding would be provided in these circumstances; if no loss was proven, providing funding for compensation may not be compliant with managing public monies.

SJ queried whether it would be possible to triage Pot B cases at all? BT replied that triage had been successfully applied in relation to Pot A, however the categories involved in Pot B were in relation to business-as-usual processes. EJ advised that these categories were much more nuanced and provided an example.

BT advised that there was a risk that any funding received may not cover the compensation payable in relation to the initial categories of Pot B where funding



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

3.1

had been applied for. SJ queried whether there was any way to be more proactive with potential claimants in relation to Pot B. BT advised that the team were active in this space and was very conscious of this point. SJ queried whether it was possible to accelerate the receipt of funding. **ACTION** KS advised that she would explore this.

KS

3.2 Audit, Risk and Compliance Committee

In relation to the last ARC meeting on 16 May 2023, SJ advised as follows:

- EJ had raised an issue in relation to the way stamp stock was being recorded. This needed to be resolved and an action had been allocated;
- BF had discussed the interrelationship of the ARC with the RCC, detailed the proposed appointment of Grant Thornton to undertake an external review of the Company's corporate governance, and had also raised issues in relation to culture particularly whether enough was being done to instil the correct culture at the Company. The ARC had been specifically asked to escalate this matter to the Board;
- The Risk paper included an analysis of items sitting outside of appetite and tolerance; there were many items. The next step that management needed to take was an exercise to assess risk probability and impact. The ARC also needed to be advised by management of what mitigations were in place;
- There had been an increase in discrepancies in branch. A request had been made for this issue to be returned to ARC, with further detail provided as to why these discrepancies were arising. We needed to do everything to keep discrepancies to a minimum;
- The increase in FOIA requests had been raised, and the pressure this put the team under to produce responses within the statutory timeframes;
- Data governance and management was another challenging issue. A Data Management Framework had been approved however this needed to be tailored to the Company, in order to increase maturity in data governance;
- The PwC report on the Banking Framework Agreement review had been considered along with the recommendations. EJ had pointed out the increased volume of cash that Postmaster's were dealing with. EJ shared his view as to the lack of automation in relation to cash counting and the need for this given the greater volumes of cash that Postmasters were dealing with;
- A Speak Up Champion needed to be appointed from the Non-Executive Board Directors;
- The Committee Evaluation Report for FY22/23 had been completed. Areas to be worked on included achieving greater simplicity in papers along with management recommendations, and the 3 lines of defence needed to be strengthened across the business;
- At the conclusion of the ARC meeting a closed session with the external auditor's had been held; nothing was identified that the external auditors wished to bring to our attention.

The Chair raised the possibility of separating the audit committee from the risk and compliance committee and shared his view that whilst this could potentially result in additional managerial time, if the separation would strengthen the Company's governance, then this would be valuable. SJ spoke to changing the approach, to consider material items that were likely to affect the Company and what mitigations could be put in place to reduce the risk profile. AB agreed with the need for a top-down view and for a focus on the significant issues that were



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

3.1

likely to affect the Company. LG advised that she agreed with SJ that the ARC papers and presentations were not solutions focused; whatever forum the Board had going forward the discussions needed to be focused on solutions. NR took these points, noting that there were capability issues within some of the teams, that the Company was subject to increased regulatory requirements given access to cash issues, and that employees were very risk averse against the backdrop of the ongoing Inquiry. That said, NR was of the view that there would be merit in separating the audit from the risk and compliance committee. AD asked whether there was a chief risk officer. NR advised that there was not, however queried whether this was a role that should be appointed. AD noted that if a separate risk committee was to be formed, then the Board needed to ensure that management was correctly resourced to support the committee. AB contributed that if a COO was going to be recruited, then support to the risk committee could form part of that job description, as opposed to having another person. **ACTION** The Chair took an action to investigate the proposal with the management team and SJ and to bring the matter back to the Board.

Chairman/NR
/SJ

3.3 Remuneration Committee

AB advised as follows:

- AB had attended her first Remuneration Committee meeting on 2 May 2023 where the metrics proposed for the STIP for FY 23/24 were discussed. The metrics would need to come back to the Remuneration Committee for further consideration, along with those for the LTIP FY23 – 26;
- AB had attended a second Remuneration Committee meeting on 11 May 2023 where the Transformation Incentive Scheme had been considered;
- The next Remuneration Committee meeting was scheduled for 20 June 2023, although this could be rescheduled depending on the timing for the DBT Select Committee.

The Chairman thanked AB for the review she had conducted, particularly in such a short period of time.

3.4 Nominations Committee

The Chairman advised as follows:

- The Nominations Committee at their meeting earlier in the day had discussed options ahead of the Postmaster Non-Executive Directors term expiry. Currently the Postmaster Non-Executive Directors were due to step down at the same time, however there could be the possibility, subject to Shareholder approval, of extending one or both of their terms, and then having the incoming Postmaster Non-Executive Directors appointments commence at different times. Options would be presented to the Nominations Committee later in the year. SI queried the contribution of the Postmaster Non-Executive Directors on the Board. NR replied that it had been very important in contributing to operational rigour;
- The Committee Evaluation Report had also been considered, and there had been a recommendation around the Committee obtaining a better understanding of succession requirements particularly in relation to the Group Executive. **ACTION** This was a whole Board issue and a session on succession planning would be scheduled for the autumn. In addition, Board members would be provided with more opportunities to meet members of the Group Executive and the Senior Leadership Group.

RS



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

3.1**4. CEO Report**

TABLED and **NOTED** was the CEO report.

Key points advised by NR were as follows:

- it had been a very intense period since the last Board meeting, compounded by key colleague absences. Progressing through the next few weeks would be crucial including attending the DBT Select Committee, then processing the outcome of the DBT remuneration governance review. There were concerns around remuneration and issues around morale. There was a need to get back on the front foot in terms of engaging with the media; this was a central issue for Postmasters - media coverage affected their businesses;
- the level of revenue that had been delivered for FY22/23 was strong, trading was stable, we had had our best month in 12 months in terms of Postmaster remuneration, and the 4 core businesses were solid;
- in relation to Transforming Technology, work remained to evaluate other options. NR was contemplating engaging externals to undertake a review of NBIT to assess status, and to bring a soft reset, as NR did not feel that he had sufficient visibility. NR spoke to the separate workstreams that had been instigated, and the different capabilities that would need to be introduced into the business to deliver NBIT. NR had met with Fujitsu last week and was hopeful of reaching agreement with Fujitsu for an additional limited extension to allow further time for NBIT delivery, although Fujitsu remained clear that they wished to exit;
- deposit limits remained a challenge. NR spoke to the issue of Postmasters counting the cash, entering the transaction, then receiving a rejection, so the Postmaster did not then receive any remuneration despite the time expended;
- branch discrepancies remained a significant and unsustainable issue. A new programme had been established with M Parks to reduce the volume and value of branch discrepancies.

Key discussion points were as follows:

- AD advised that he was struck as he read through the Board pack by the re-occurrence of words such as fatigue and exhaustion and queried what was being done to ensure that key people at SLG level were retained. NR advised that he was due to meet with AB and the Reward Director in a few days' time and would be discussing this. Retention payments had been made at Christmas last year and these may need to be revisited. KS shared her view that there was a fragility in the workforce with employees having been under pressure for a sustained period. Whilst we had had a positive colleague conference, the issues in the press had an impact. AB advised that the relationship with the brand for employees should not be underestimated; there needed to be more positive stories externally and internally;
- BT queried how well we were set up for crisis management. NR replied not as well as we needed to be; the internal external facing communications advisors were more junior than NR was used to, so NR was using external organisations to assist. There was an opportunity to re-engage with the press. BT noted that a lot of the press was very counter-productive to the good outcomes that we were trying to achieve in terms of delivering compensation and our relationship with Postmasters; we needed to get balance back;
- **ACTION** AB queried whether the Board had considered changing the brand, to separate from the past but also to represent what we wanted to become. EJ



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

3.1

contributed that the brand colours were an issue and contributed to an association with RMG. AB noted that whilst changing the brand was an enormous undertaking, questioned whether the brand stood for what the Board wanted to build. The Chair requested that an action be assigned, and this matter be returned to Board later in the year;

R Taylor

- **ACTION** EJ referenced the scratch card balance sheet position and queried if that was the balance of the scratch cards that were currently owned. KS advised that whilst this was what had been provisioned that the actual position could be an improvement on this. EJ queried whether the provision was in respect of the previous financial year. KS advised that she would check;
- EJ spoke to the Postmaster survey results. A considerable amount of effort had been invested however many of the key metrics had not improved. NR advised that small group sessions would be held with Postmasters to understand what had driven the results. **ACTION** EJ queried whether a half year pulse survey could be conducted with Postmasters. NR advised that this could be looked into;
- EJ noted that Postmaster remuneration was up 2% yet strategic partners was up 4% and queried the delta. We needed to replicate what we did with strategic partners for Postmasters. NR advised that MR was aware of this and was looking at what could be implemented;
- EJ queried the status of the review of former employees who had re-joined. NR advised that whilst the review by the People team remained ongoing the sentiment was that we needed to be much more aggressive on this;
- SI noted that the international mails business had been suppressed after the RMG cyber incident. **ACTION** EJ queried whether people were not sending international mail anymore or were they not sending international mail via the Post Office anymore. SI advised that we needed to get under the skin of this issue now, ahead of Christmas. NR advised that this could be looked into;
- **ACTION** SI shared his view that the opportunity with travel was the best that it had ever been, and queried whether it was possible to provide more in terms of travel aides to train staff to provide a consistent message;
- LG queried who was standing in, in the CPO's absence. NR advised that he had asked the Reward Director to step up as Acting CPO. LG advised that she was very conscious about the culture question and reporting on this at the Inquiry. **ACTION** NR advised that J Lang was leading on culture. LG requested that J Lang present to the Board on culture;
- AB observed that there was nothing in the CEO Report on customers. NR took the point.

KS

M Roberts/ T
Marshall

O Woodley/ N
O'Sullivan

O Woodley/ L
Joseph

I Rudkin/ J
Lang

5. Financial Performance Report

TABLED and **NOTED** were the following papers:

- (i) 'P1 – Performance Overview'; and
- (ii) 'Period 1 (April) 23/24 Financial Performance Review – Supporting Slide Deck'.

KS spoke to the papers advising that P1 and P2 had both seen solid performance. One of the challenges was understanding what this meant for the rest of the year – in April we had Easter and in May we had 3 bank holidays, so it was difficult to see any trends.

ACTION KS advised that the report would be revised to provide greater insight into what was going on in the business and how this was driving results.

KS

SJ left the meeting at 12:45.



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

3.1

6. Transforming Technology: Horizon Replacement Update

TABLED and **NOTED** were the following papers:

- (i) 'Horizon Replacement and Funding Context';
- (ii) 'Horizon Replacement Update';
- (iii) 'Horizon Replacement Update - Annex 1';
- (iv) 'Horizon Replacement Update - Annex 2 Excluding Contingency'; and
- (v) 'Horizon Replacement Update - Annex 2 Including Contingency'.

KSe, AP, TM, MR and ZM joined the meeting at 12:48.

Key discussion points were as follows:

- ZM outlined what Horizon was, why we were replacing this, previous attempts to replace Horizon, and what had been achieved so far under the current NBIT project;
- AD noted the spend to date and queried what we thought it would have cost to get to this point and what the delta was caused by. ZM advised that whilst he did not have the precise number, ZM thought this was around £55m. The delta was caused mainly by the extension of scope and unpacking the Horizon black box; there was no business knowledge of this. BT queried the complication of the Horizon black box given we were replacing this. ZM advised that for NBIT there was a statement of requirements, and the technology was being built according to this. Sometimes we could build those requirements straight out, other times we needed to understand the processes as they occurred in Horizon so we could use this in the technology building and replicate the processes if appropriate;
- ZM spoke to the challenges faced, including the scale of defects, deployment complexity, and the level of internal and external assurance that was required;
- EJ noted that the release date for R2 had been pushed back due to the number of bugs identified and queried whether we were too being risk adverse. ZM advised that the launch of R2 would need to be signed off and pass an internal gating process; there were a high number of people internally who would need to sign off. EJ queried the level of internal confidence in NBIT and what could be done to assure people internally that the platform was robust. ZM replied that the releases had been scheduled to cumulatively build confidence, for example by starting with Drop and Collect. Additionally we were being transparent in relation to any issues with the system to prove internally and externally that once the defects were fixed that the system was robust;
- The Chairman asked about network health and the potential activities for path clearing. MR replied, detailing the proposed increase in branch assurance resource to identify issues. BT noted that whilst this seemed like an obvious thing to do, BT was not clear as to how issues identified would then be attended to. EJ queried what happened in other organisations and if there would be some sort of amnesty, given there would be issues identified. EJ cautioned that we also needed to be careful as to how any path clearing activities were positioned with and perceived by Postmasters. NR agreed with this. MR replied that for the majority of Postmasters, who were following procedure, the path clearing activities would not be an issue. The path clearing activities would be approached carefully and sensitively with the message that the Company was here to support; however, it may be identified that there were some branches that could not progress on the journey. AB contributed that most Postmasters would not condone bad practices, given Postmasters were seen as pillars of the community. In the case of unacceptable behaviours, we needed to be clear and uncompromising on this. KS



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

3.1

noted that branch discrepancies were on a system that Postmasters did not trust, so the messaging could be that we wanted to have a clean handshake going onto NBIT;

- EJ shared his view that we needed to publicise more with Postmasters how well NBIT was progressing. NR took the point however advised he was being cautious given the delivery trajectory was uncertain. SI advised that following the installation of R1 into his one of his branches that he had had a lot of Postmasters visit; once R2 was released into the network we should make visible to Postmasters the branches where this was located so they could visit;
- In relation to path clearing, SI queried engaging further resource when from a costs perspective we needed to be leaner. SI also queried whether we had in fact the internal capabilities for this. MR took the point, however advised that if we did not invest in the short term to prepare for NBIT, we would continue into the future as at present. **ACTION** In relation to the cost of path clearing, LG clarified that what was in the papers was the cost of the activities not the consequences. LG shared her view that a request for funding for the consequences needed to be included in any funding request made to the shareholder. KS noted this, however pointed out a potential corresponding disclosure required in the Company's Annual Report and Accounts;
- ZM spoke to reasons for estimated NBIT costs increasing since the March Board, advising that almost half of the cost increases were independent of NBIT. BT referenced the potential exposure to the additional costs of maintaining Horizon with the moving out of the R2 release date and queried whether there was any way in which these additional costs could be avoided. ZM replied that the only way to avoid this exposure was to deliver earlier, and noted decisions that the Shareholder could take, for example in relation to the network size, that would influence this outcome;
- EJ queried whether in 3 years' time the business would still be able to function on Horizon. ZM replied that the business as it existed today could, however the issue was that the ability to process change was limited whilst we stayed on Horizon. Additionally the only basis on which Fujitsu would provide an extension beyond March 2025 was if we could evidence that we were continuing with NBIT in order to exit Horizon. A third party to operate the Horizon system would likely prove very difficult and expensive. EJ queried the ability to run the Horizon system in house. ZM replied that whilst running Horizon could be moved in house, it would mean administering a system no-one internally understood and the consequences could be catastrophic including the potential cessation of trading;
- BG noted that whilst it was important for the Board to consider all the options and to provide these to the Shareholder, there was the risk was that the Shareholder could defer NBIT implementation given the timing for the next general election. BG shared his view that a decision needed to be taken on this by the current government, and not left for the subsequent government. LG took the point however advised that it was very difficult when estimated costs had risen circa 40% in 2 and a half months. TM replied to this;
- ZM spoke to the veracity of the re-baselined plan. Up until the 28 March 2023 Board Meeting the view had been come what may, we needed to have exited Horizon by March 2025. The view now was that NBIT delivery by March 2025 was not feasible, and a more conversation timetable had been adopted. A 20% contingency had also been included as well as adjustments for optimism bias, structural re-organisation and assurance;
- **ACTION** AB queried whether descoping or rescoping could be an option given the wide variation in branch product offerings and formats. ZM replied that whilst this

TM



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

was an option, it would not significantly save on costs. That said, ZM advised that the team were assessing going live without approximately 10% of products and that the team would bring this option back to the July Board. Additionally we could look at options to change our processes, for example, in relation to the stock management of stamps; ZM

- **ACTION** The Chair queried the level and type of assurance that the Board would be provided with. NR shared his view that this would comprise internal and external assurance and advised that this could be returned to the Board with options at the July Board meeting. ZM

MR left the meeting. A recess was taken between 14:15 – 14:30.

7. Finance

7.1 3 Year Plan Update

TABLED and **NOTED** were the following papers:

- (i) '3YP Update'; and
- (ii) '3YP Update – Appendices'.

Key discussion points were as follows:

- KS outlined the process and outcome of the previous spending review, and how the landscape had changed since this time;
- AD queried the funding cycle. TM replied that this was typically 3 years, however any funding provided could be for a lesser period, perhaps even 1 year, given the upcoming election;
- AP spoke through the proposed 3YP noting changes as against the draft 3YP that had been presented to the Board on 28 March 2023, the reasons for the anticipated decline in revenue and income, and the expected position on Postmaster remuneration;
- AD noted that in looking to compare the anticipated performance with competitors there were no other like for like competitors, so queried the approach to peer bench marking. TM replied that peer bench marking was very difficult, so the Company's historical performance was generally looked at;
- EJ queried the forecast on cash and banking and also Postmaster remuneration. AP replied that the plan would be refined as required, and was not a budget;
- **ACTION** AB asked for further detail on why it was so expensive to deliver cost savings. TM replied, referencing costs associated with exiting DMBs, reducing head count, and downsizing the network. LG asked whether these activities were included in the 3YP. NR replied that they were not, on the basis of capacity. LG shared her view that these should be included as options in 3YP, and that funding should be applied for in respect of these activities; TM
- AB queried whether there were any change spend activities that could be stopped. TM replied, advising that where there was optionality, the spend had already been removed from the change budget;
- AP outlined how the working capital facility agreement with the shareholder and security headroom functioned. There was discussion on the restriction around receiving external funding, and how further funding from the shareholder could potentially proceed by way of loan;
- AP detailed the timing for a potential breach of security headroom and advised that approval to reduce the current [IRRELEVANT] buffer on a permanent basis down to [IRRELEVANT] could be sought. KS took the point, however reflected that perhaps rather



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

3.1

than doing this, increasing the value of the facility in order to maintain the buffer could be an option. BT shared his view, that maintaining the [IRRELEVANT] buffer represented a point of sensitivity, so BT was not clear as to why we would look to de-sensitise this. KS outlined [IRRELEVANT]

[IRRELEVANT]

[IRRELEVANT] AD noted the implications of receiving the outstanding funding in relation to the sign off of the FY22/23 accounts;

- AB queried how much our suppliers relied on signed accounts. [IRRELEVANT]

[IRRELEVANT]

- ACTION BG raised the issue of [IRRELEVANT]

KS/AP

IRRELEVANT

Subject to the incorporation of LG’s comments as set out above, the Board **RESOLVED** that the 3 Year Plan in the form tabled be and is hereby **APPROVED** and **RESOLVED** to **RECOMMEND** the 3 Year Plan to the Shareholder for **APPROVAL**.

7.2 Funding Update

TABLED and **NOTED** were the following papers:

- (i) ‘DBT Funding Submission’;
- (ii) ‘Funding Update - Annex 1 Sustainability Paper’;
- (iii) ‘Funding Update - Annex 2 POL Funding Outline’;
- (iv) ‘Funding Update – Annex 3’; and
- (v) ‘Funding Update Annex 4 - Memorandum Wrongful Trading’.

Key discussion points were as follows:

- TM spoke to the papers outlining the anticipated movements in security headroom;
- TM advised that the 3YP forecasts did not include provision for a number of material known risks, which TM proceeded to detail, and also did not include any activity at scale to take costs out of the business;
- TM advised that a request for additional funding was proposed to be submitted to the Shareholder, in order to formally commence the process and discussions. In relation to the quantum of the request, LG shared her view that funding should be sought for the known material risks TM had identified, as well as the larger scale activities to take costs out of the business, as there would be no option to then request additional funding;
- TM noted that the Shareholder wished to discuss sustainability as part of any additional funding request and spoke to 5 main components that could place the Company on a path to sustainability. AD queried whether sustainability could be improved if the Shareholder’s policy position was evolved. TM replied that at the Board Strategy Day last year we had proposed a network of around 9,000 branches setting out locations and the format. BT noted that a revised network shape would likely assist in increasing Postmaster remuneration via re-distribution. TM – outlined the number of loss-making branches, the amount of the subsidy and the cost of maintaining the loss-making branches;



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

3.1

- BT noted that the government had anticipated a higher spend on historical matters; what had occurred was that government had spent significantly less and we had spent more. BT suggested that this point be drawn out in any funding submission;
- **ACTION** Noting the comments of LG above, KS advised that she would circulate a revised paper to the Board. **KS**

Subject to the incorporation of LG’s comments as set out above, the Board **RESOLVED** that the funding submission to the shareholder in the form tabled be and is hereby **APPROVED** and **RESOLVED** to **RECOMMEND** the funding submission to the Shareholder.

7.3 Drawdown Requests

TABLED and **NOTED** was a report, ‘SPMP June to September 2023 Funding drawdown’.

The Board **RESOLVED** funding in the amount of £47.931m with immediate drawdown for the SPM Programme for the activities and deliverables as set out in the report for the period 1 June 2023 to 30 September 2023 be and is hereby **APPROVED**.

8. Rebuilding Trust

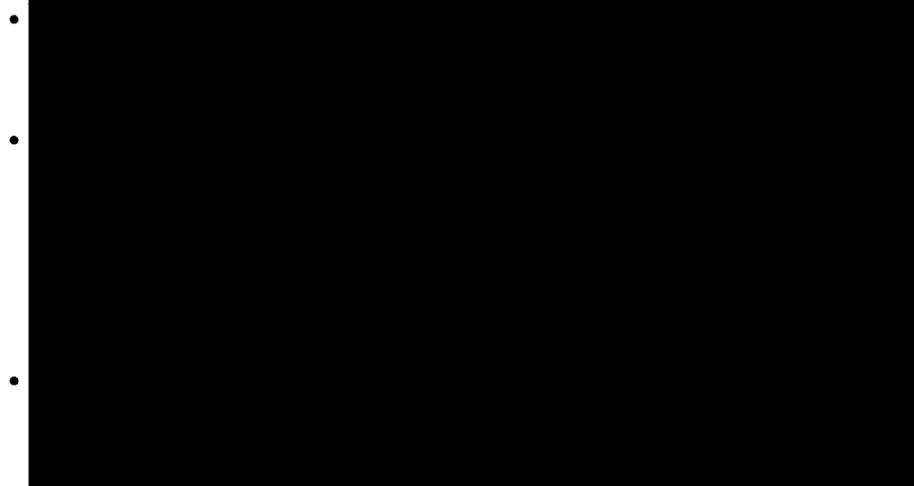
8.1 Inquiry Update

SR, BF, GL and DW joined the meeting at 16:27.

TABLED and **NOTED** were the following papers:

- (i) ‘Post Office Horizon IT Inquiry: Update’; and
- (ii) ‘Post Office Horizon IT Inquiry – Appendices’.

Key discussion points were as follows:



- DW noted that the engagement of Burgess Salmon had been completed and that the appointment of Grant Thornton as governance expert was anticipated to be finalised shortly. DW had had a conversation with the shareholder as to their governance review on remuneration, and the proposal was to link up the experts.

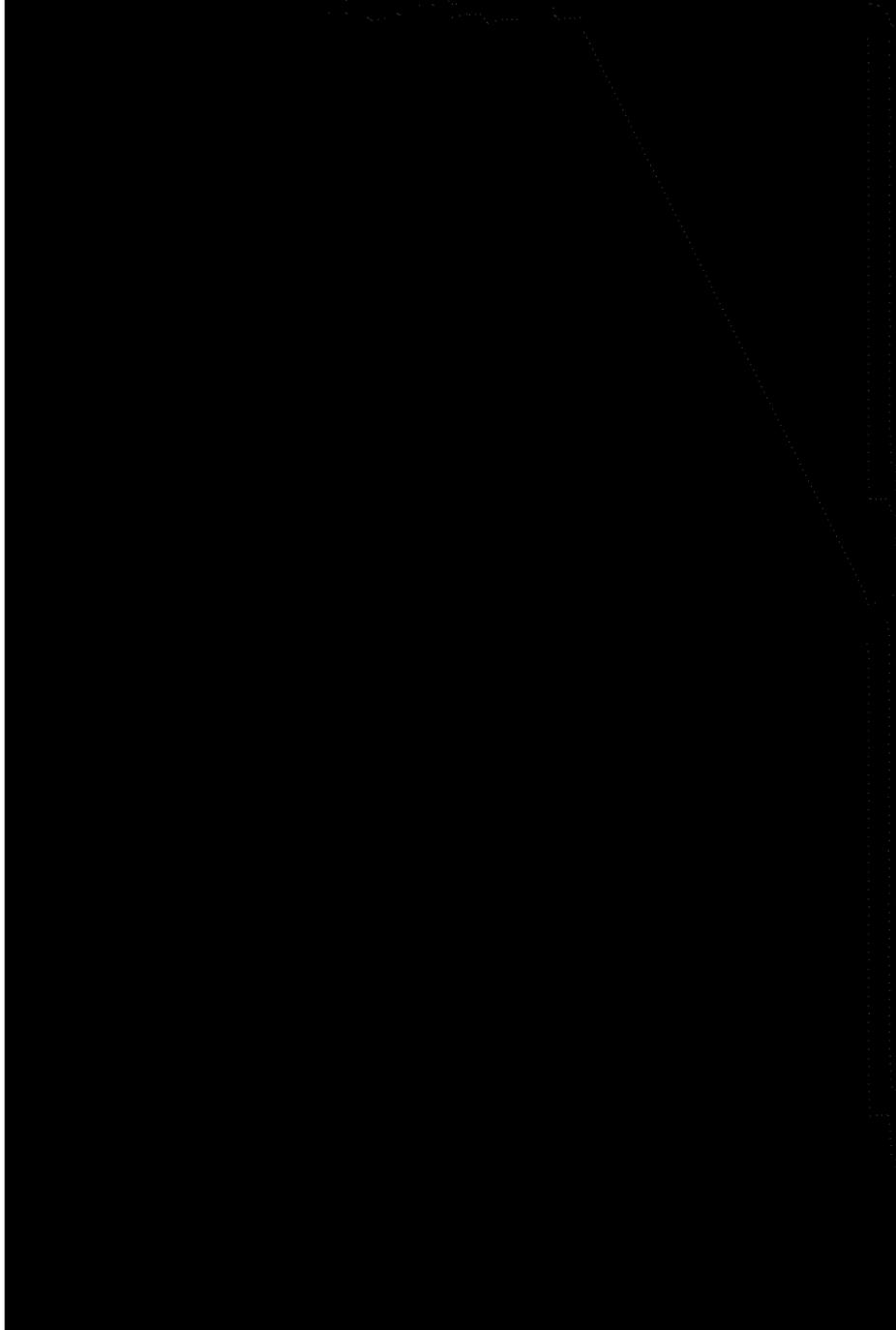


POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

ACTION AB queried the contents of the terms of reference for Grant Thornton.
DW advised that these could be circulated to the Board;

DW/ RS

3.1



Bartlett

8.2 Inquiry Drawdowns FY23/24

TABLED and **NOTED** were the following papers:



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

3.1

- (i) 'Post Office Horizon IT (POHIT) Inquiry Funding Paper'; and
- (ii) 'Inquiry Funding - Supporting Financial Pack'.

Key discussion points were as follows:

- GL spoke to the paper and the request, noting that the current significant cost drivers were holding;
- The Chair queried the ask in terms of additional resource. DW replied that for most of last year having a small team was acceptable. Now however work pressures had increased significantly and DW was really seeing the impact of this. Both Inquiry Heads of Legal had resigned in the last 2 months and there were absences due to sickness. The Inquiry team was not structured correctly, with a stronger in-house team required rather than being reliant on externals. There were currently 28 people in the Inquiry team and another 19 positions were proposed, with the roles being filled in order of strategic priority. Some of the positions could potentially be filled internally, and some of the positions would be on a contract basis, with the team scaling back after the Inquiry hearings had concluded;
- EJ queried how the costs for other participants in statutory Inquiries and the size of participants teams compared. NR replied that our costs were significantly less than for other public Inquiries;
- AD questioned how certain the Inquiry team were that they could recruit the right 19 people. DW advised that she had had preliminary conversations with people who might be interested to apply to work for us and was reasonably confident of filling the positions;
- The Chair advised that the Board appreciated the pressure DW was under and how DW was holding up. The Chair asked that his sentiment be passed to the Inquiry team. LG noted the appreciation of the UKGI team to the Inquiry team for the transparency and the information provided in relation to the proposed Inquiry costs drawdowns for FY23/24.

The Board **RESOLVED** that the delegation of authority to the Group Executive, who in turn delegated authority to the Historical Matters Funding Meeting, in relation to the drawdown of funding for Inquiry costs in the maximum amount of £36m for the period 1 June 2023 to 31 March 2024 for Inquiry activities as set out in the paper be and is hereby **APPROVED**.

8.3 Waiver of Legal Privilege – Third Parties

TABLED and **NOTED** was a report, 'Application of POL's waiver of legal privilege to requests from the Inquiry sent to third parties'.

8.4 HMU Update

TABLED and **NOTED** were the following papers:

- (i) 'Historical Matters Programme Update'; and
- (ii) 'HMBU Finance Update'.

Key discussion points were as follows:

- SR spoke to the GLO disclosure process that had been established with the Shareholder. In the interim approximately 307 DSARS had been issued; it was simply not possible to support this volume of requests in the statutory timeframe and a breach situation seemed unavoidable. We had asked the Shareholder to

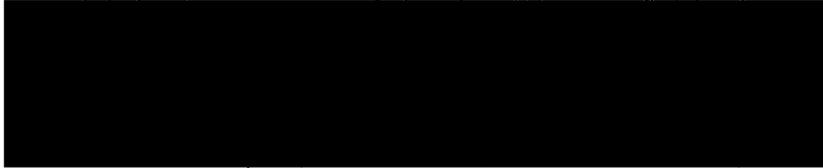


POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

3.1

raise this with Freeths; Freeths were not willing to withdraw the requests. **ACTION** BF referenced next steps in relation to reporting the anticipated breach to ICO. A more detailed note would be issued on this for the Group Executive and the Board.

BF/ SR



- SR referenced the Advisory Panel that had been formed by the Shareholder and the request for HSS principles to be shared. In the absence of a non-disclosure Agreement the HSS principles were unable to be shared, however the Advisory Panel was due to meet and be briefed by the Independent Panel;
- SR spoke to the risk of the principles to be set for the GLO to be a read across into the HSS, which could mean that we may need to re-open the HSS. The Shareholder was aware of this;
- SR outlined the nature of and current status of Operational Remediation Pot B. An application for funding in relation to a number of Pot B categories had been made to the Shareholder and it was anticipated that a response to the funding request would be received in September. In the meantime, preparatory work to administer Operational Remediation Pot B continued, with the plan to add additional categories to a website overtime. At the end of this process there was an option to ask Postmasters if they could identify any further categories of Operational Remediation. External advice had been provided that launching all categories of Operational Remediation Pot B at once would be preferable. This was not the recommendation of management who proposed that the phased approach be maintained. BF spoke to the level of evidence required and the burden of proof. EJ advised that he would not be able to participate in any decisions in respect of Operational Remediation Pot B given his expectation that he may make claims. LG queried the reasoning for the phased approach. BT and SR replied. AB noted that the phased approach would mean multiple communications to the Postmaster recipients and that this could be cumbersome from their point of view. BT took the point, however advised that given the complexity of cases and the quality of data held, he remained of the view that the phased approach was preferable. No objections were raised to continuing with the phased approach;
- SR spoke to the complaint that had been made to the SRA regarding 36 Post Office lawyers. The complainant had also suggested in an article that the people who were responsible for administering the HSS should be prosecuted. This was very troubling to the HMU team who were working very hard on and had belief in the HSS. Additionally, the team were very concerned about the integrity of their reputations, and SR was equally concerned about his professional reputation. SR advised that he was asking for the support of the Board in this situation, and that he was due to speak to NR to discuss ways to be more front footed with the media.



BG left the meeting at 18:01.

8.5 HMU Drawdowns FY 23/24



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

3.1

TABLED and **NOTED** was a report, 'Historical Matters - HMU Funding Request'.

SR spoke to the paper and the request. LG noted there were some outstanding queries on behalf of the UKGI team however was agreeable to the matter proceeding.

The Board **RESOLVED** that the delegation of authority to the Group Executive, who in turn delegated authority to the Historical Matters Funding Meeting, in relation to the drawdown of funding for HMU costs in the maximum amount of £26.1m for the period 1 June 2023 to 31 March 2024 for HMU activities as set out in the paper be and is hereby **APPROVED**.

SR, BF, DW and GL left the meeting at 18:03.

9. Approval Requests

9.1 Code of Business Standards

TABLED and **NOTED** were the following papers:

- (i) 'Our Code of Business Conduct update';
- (ii) 'Our Code of Business Conduct v9.3'; and
- (iii) 'Code of Business Standards - Previous Version'.

The Board **RESOLVED** that the revised Code of Business Conduct in the form tabled be and is hereby **APPROVED**. NR noted the importance of demonstrating adherence to the Code.

9.2 Glory Global Contract

TABLED and **NOTED** were the following papers:

- (i) 'Glory Global – Delegated approval for Teller Cash Recyclers contract'; and
- (ii) 'Glory Global Contract - Legal Risk Note'.

The Board **RESOLVED**:

- (i) A maximum contract value in the amount of £26m for the Teller Cash Recycler contract with Glory Global Solutions over the maximum 7 years of the contract be and is hereby **APPROVED**; and
- (ii) the delegation of authority to any one Director to approve future purchase orders and the exercise of any extensions under the Teller Cash Recycler contract with Glory Global Solutions be and is hereby **APPROVED**; and
- (iii) the delegation of authority to any authorised signatory of the Company to sign and issue lease schedules and any notice of extension of the Teller Cash Recycler contract with Glory Global Solutions be and is hereby **APPROVED**.

10. Procurement

TABLED and **NOTED** was a paper, 'Procurement Report'.

The Board **RESOLVED**:

- (i) that the procurement strategy for Fulfilment Services with an initial contract term of 3 years and 2 optional 1-year extension periods up to a maximum value of £20m over the 5-year period, be and is hereby **APPROVED**; and



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

3.1

- (ii) to delegate authority to any authorised signatory of the Company to sign the resulting contract and any ancillary documents.

11. Health & Safety Report

TABLED and **NOTED** was a paper, 'Health & Safety Monthly Report'.

Presentation of this Report was deferred to the September Board Meeting. EJ referenced Action item 6 which remained to be concluded and called for additional Health & Safety training to be made available for Postmasters.

12. Noting Papers with no Presentation

12.1 Technology Dashboard

TABLED and **NOTED** was a paper, 'Technology GE sub-committee Dashboard'.

13. Noting and Governance Items

13.1 Board Evaluation Report

Presentation of this item was deferred to the July Board Meeting.

13.2 HRC Terms of Reference and Historical Matters Delegated Authorities Matrix

TABLED and **NOTED** were the following papers:

- (i) 'Historical Remediation Committee Terms of Reference – Cover Paper';
- (ii) 'Historical Matters Delegated Authorities Matrix Update';
- (iii) 'Historical Remediation Committee Terms of Reference – Clean Version'; and
- (iv) 'Historical Remediation Committee Terms of Reference – Tracked Changes Version'.

The Board **RESOLVED**:

- (i) The amended form of the Historical Remediation Committee Terms of Reference as set out in the papers be and is hereby **APPROVED**; and
- (ii) The amended form of the Historical Matters Delegated Authorities Matrix as set out in the papers be and is hereby **APPROVED**.

13.3 Sealings Report

EJ queried sealing entry 2188 on the Register of Sealings. NR advised that additional office space had been taken on a temporary basis to assist with NBIT requirements. The Board **APPROVED** the affixing of the Common Seal of the Company to the documents set out against items numbered 2182 – 2194 inclusive in the Seals Register.

13.4 Future Meeting Dates

The future meeting dates were **NOTED**.

13.5 Forward Agenda



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

3.1

The Forward Agenda was **NOTED**. The Chairman advised that the content of the Forward Agenda would be discussed in July.

14. Any Other Business

There being no other business the Chairman declared the meeting closed at 18:12.

15. Date of next scheduled meeting

11 July 2023 9:30 – 14:00.

Chairman

Date