



Post Office Limited

Governance review – Final

25 June 2024





For the attention of the Board of Directors

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25 June 2024

Dear Board members,

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

The scope of our assignment includes; a review of governance design, procedures and practices at POL, to identify any gaps and provide considerations as to how they may be bridged in the context of the wider change programmes unified internally under Project Ethos. The purpose is also to confirm that practices are in aligned with the role as set out by the Secretary of State for Business and Trade (the Shareholder or DBT) in the foundational governance documents with POL, and general comparable good governance practice in the market. Details of our scope and methodology is set out in **Appendix 1**.

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

Appropriate standards considered for the purposes of this review are, the UK Corporate Governance Code 2018 (the Code) mapped against the Central Government Code 2011 (the Government Code), the governing Shareholder documents namely; the Articles of Association

dated December 2022, the Shareholder Framework Document dated March 2020, and the Funding Agreement dated April 2022, (collectively "the foundational governance documents"), in addition to good practice as observed from other relevant organisations of similar size and complexity. **Our fieldwork for this assignment concluded on 31 January 2024.**

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

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

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

Yours sincerely

Grant Thornton UK LLP

Sarah Bell
Partner

M:
E: **GRO**



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01 Context and key findings

01 Context and key findings

Context and background



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

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

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

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

01 Context and key findings

Work in flight

The past five years have been some of the most challenging in the entire 360+ year existence of POL

- Since 2019, when a settlement agreement was reached with 555 former or serving Postmasters against POL, it has been operating year-to-year in crisis mode. There has been much internal and external scrutiny leading to POL undertaking a number of improvements to systems, processes, policies and culture to transform aspects of its governance. These have largely been centred on remediating the position with Postmasters in response to the findings of the High Court (Fraser J.)
- Over the last few months, since our appointment, POL has driven through further top-down structural governance improvements to address the issues described above. Ensuring that the Board and GE are briefed on the operational management and the governance construct of POL. Noted actions of reference which still need time to bed in include:
 - improved leadership capacity at Board and Executive level; with the appointment of Owen Woodley as Deputy CEO; Karen McEwan, CPO, supported by Ian Rudkin, Director of Reward; Chris Brocklesby, CTO and Kathryn Sherratt, stepping up as interim CFO; and at Board level Amanda Burton, Simon Jeffreys and Andrew Darfoor; all of whom joined the Board as INEDs in March, April and June 2023 and the creation of two new Board Committees, namely the Remediation Committee (RC) and the Investment Committee (IC)
 - the recent simplification of the operating model at executive level to prioritise focus and drive accountability, including a New Leadership Team, with a Strategic Executive Group (SEG) being formed at its core comprising the CEO, Deputy CEO, Interim CFO, CTO and CPO, and reducing the number of individuals reporting to the CEO from 12 to 7, with a primary purpose of developing the future POL strategy
 - improved attention and discipline to areas such as People and Culture (Project Ethos), agendas (more forward-looking) and minutes (in terms of action remediation)

Whilst the direction of travel is promising, it does not, in our view, address the foundational governance architecture issues which are ultimately impacting the effectiveness of the governance design and hierarchy. It is within the context of recent challenges and actions that we focus our comments and recommendations.

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

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



01 Context and key findings

Key findings

One of the most pressing areas to address to improve the impact of governance design is a purpose/cohesive strategy at the Group level, which sets direction and ambition.

Overview

POL faces tension stemming from conflicting objectives, including the dual mandate of serving a social purpose while maintaining commercial sustainability, and balancing government ownership with operation in competitive markets. Navigating conflicts of interest at the Board, diverse shareholder and government interests, and broader political agendas is further compounded by the lack of clarity on long-term direction of POL and funding requirements.

Although a majority of the written policies and procedures generally align with good practice, their impact is tactical. The absence of a unifying purpose and strategy, hinders decision-making and fosters a culture where it is challenging to hold people to account.

To priorities efforts, we highlight five key areas to be addressed.

- 1. The lack of a unifying purpose and group-wide strategy between POL and its Shareholder.** POL struggles to establish accountability for defining a unifying long-term purpose and strategy, leading to varied interpretations of POL's strategic ambition. This ambiguity raises decision-making costs, diminishes governance impact, and hinders genuine accountability. Additionally, perceived mixed messages from the Shareholder on long-term objectives for POL contradict foundational governance documents and the Minister's Letter, limiting the Board's ability to add value and hold management account for performance. The ongoing Horizon IT Inquiry and limited visibility around future funding availability compound these challenges further in terms of capital prioritisation.
- 2. Conflict around the role of the Shareholder versus the Board** and breakdown of the relationship. The governance dysfunction at POL stems from confusion over the roles of the Shareholder and the Board, exacerbated by the presence of a shareholder representative at the Board and inconsistencies in applying the terms of foundational governance documents in the day-to-day running of POL. This lack of clarity blurs responsibilities and creates misalignment between the Shareholder and POL, making it difficult to establish accountability. The ongoing Horizon IT Inquiry adds additional concerns and requests for information, further hinder the relationship. This drives confusion as to is responsibility for shaping and approving operational aspects such as reward structures and manifests in a tactical and risk-averse culture and approach to decision-making.
- 3. Leadership capacity** at POL is currently affected by ongoing and upcoming Board rotations, which inevitably impact leadership cohesion and corporate memory. Additionally, the lack of detailed succession planning at both Board and Executive levels presents a risk to future operations.
- 4. Decision-making forums at Enterprise level lack pace and do not enable accountability.** Until December 2023, there were over 100 personnel in the senior leadership team (LT) with a variety of singular and collective accountabilities, a CEO with 12 direct reports, 12 GE level committees and further innumerable committees, groups, and forums that resided within the Enterprise levels. This has led to unclear or duplicated remits, limited meeting discipline and decision output driving many operational decisions up to GE/Board level as a consequence. The significant burden being place on the Board, often due to matters that should ideally be addressed at a lower level, points to a effectiveness governance issue regarding delegation and escalation protocols below board.
- 5. Culture – a lack of trust, accountability and performance management.** POL is plagued by a pervasive culture of reluctance to make decisions, driven by fear of public scrutiny, lack of clear accountability, and a reluctance to manage underperformance. This has led to a layering of decision-making forums and a perception of "them" and "us" within the ownership structure, hindering the ability to make difficult trade-offs and identify leadership capability and capacity within POL.

These issues highlight the need for; a unifying strategy, greater role clarity through updating foundational governance documents, streamlined decision-making processes, significant improvements in succession planning and a cultural shift towards accountability and long-term planning.

02 Executive summary – Board priority actions

02 Executive summary – Board actions



The resolution of the following issues are essential for POL to address the current weaknesses in the governance structure

- A - Establishing a Group strategy/ambition for POL to frame, prioritise, and guide governance design, decision-making structures, and inform culture and performance management.
- B - Clarity on the role of the Shareholder versus the Board including the setting of objectives for POL.
- C - People agenda including succession planning at Board and Enterprise level.
- D - Board meeting team process – agendas, MI and minutes.

Ultimately If POL cannot govern its businesses to a level akin to its competitors, it needs to provide/gain more clarity as to the value of its social purpose longer term.

Board priority actions

A - Group strategy / ambition to be considered because...

- POL's vision for 2025 is expressed in several themes that are not directly measurable and do not represent a recognised unitary purpose or strategy/ ambition - this is critical in informing the effectiveness of governance design.
- The Business Unit level strategy at POL is generally clear. However, a lack of visibility of a framework/consistent understanding of 'trade-offs' at the centre, and connectivity across business, leads to a high cost of indecision.

The Board to...

- Agree strategic design principles with the SEG and explore steps to unlock the impasse on developing a strategy/ ambition which the leadership team can coalesce around and frame efforts. As part of this exercise the Board:
- to clarify whether/how POL takes forward the Minister's letter of supporting c.11,500 branches when shaping future commercial and social ambitions
 - frame for the Shareholder what POL is about (purpose), where it wants to get to (strategy and vision) and how it is going to meet its aims (culture).

B - Clarity on the roles of the shareholder versus the Board because...

- The leadership and followership based on the Shareholder requirements at POL are complex due to the crisis situation and the involvement of the Shareholder Representative at the Board, who is a Director of POL. The role is one of insights by bringing a government perspective to aid the POL Board's decision-making, rather than directing actions and decision-making on behalf of the Shareholder. In doing so, the Shareholder Representative also participates in equal collective decision-making around the Board table.
- This creates tension at Board between governing for Shareholder value and governing for social purpose, without a clear longer-term vision to balance these priorities effectively.
- The description in the Framework Agreement does not provide clarity on the Shareholder Representative role. It appears to be drafted from the viewpoint of UKGI's 'representative director' and lacks acknowledgment of the same legal fiduciary responsibilities as other NEDs. The Shareholder Representative appointment letter and the UKGI's opening statement to the Inquiry provide more clarity in this regard.
- Confusion around roles, responsibilities, and authorities arises from the purpose of the Shareholder Representative role, foundational governance documents, and Matters Reserved for the Board. As an example although empowered under the Matters Reserved for the Board to share the longer-term direction of the organisation, the Board appears unable to deliver against this remit.
- This lack of clarity extends throughout POL, resulting in high decision-making costs and a lack of accountability, such as the absence of a shared understanding regarding the roles and responsibilities.

The Board to...

Over the next 12-18 months, it is essential to:

- Review and update foundational governance documentation to enhance clarity, aligning with connected guidelines such as "Managing Public Money", UKGI's recent statements and clearly defining principles impacting day-to-day operational approvals between POL and the Shareholder. Address any disparity and duplication between the Articles of Association, the Shareholder Framework Agreement, and Funding Agreement.
- Clarify the achievability of Matters Reserved for the Board and address any points of contention with the Shareholder.
- Evaluate whether an alternative governance or capital structure can deliver better outcomes for all stakeholders, based on shared objectives and market-wide sentiment. This will improve clarity around the purpose of the organisation and the roles of the Board and Shareholder in shaping key governance frameworks going forward.

02 Executive Summary – Board actions

Board priority actions

(Continued)

C - People agenda (Incl. Succession planning and reward) to be reviewed as...	The Board to...
<ul style="list-style-type: none"> Urgent attention is needed for succession planning at POL, particularly due to anticipated rotations at the Board and SEG levels, and the current inability to assess leadership capability and capacity below the SEG level. The new CPO is leading efforts to support this area. Key departures and lack of visibility on formal planning for executive roles creates a perceived weak decision-making directive, and management of corporate memory is a concern. Gaps in technology, digital transformation, central government/Whitehall expertise, retail, franchise, and turnaround and transformation are listed by members as existing at the Board/SEG level, posing challenges during critical organisational developments. Clarity is needed on the ownership between Boards and Committees regarding the People agenda, and improved monitoring in areas such as culture and wider ED&I aspects is necessary. Historical governance issues have impacted reward design and sustainability, necessitating the rebuilding of trust with stakeholders. The involvement of the former UKGI NED/Shareholder introduced complexity and uncertainty within Rem Co and the organisation in terms of reward design and approval. However, the new Chair and UKGI NED/Shareholder are beginning to address historic points, and attention is being paid addressing the output of the Simmons & Simmons report in this regard. 	<ul style="list-style-type: none"> Strengthen succession planning at Board and Enterprise level, including formalising Postmaster rotations and reviewing the selection process. Ensure the Nom Co has the capacity to deliver against its wider ToR. In terms of Board Composition and Executive Roles, develop a formal plan for key Executive roles and manage the composition of the Board to maintain a strong decision-making body. In doing this exercise the Board to agree on key criteria for assessing required composition. Consider the operational horizons of the historic Horizon IT Inquiry, the continuing transformation to stabilise the operational platform, and the future strategic options when evaluating and developing the composition of the Board. Furthermore, <ul style="list-style-type: none"> Evaluate and develop the Postmaster NED role and fill skills and experience gaps in technology, digital transformation, government relations, and franchise expertise. Consider the composition of Nom Co committee membership to align with market norms, comprising the Chairs of the Board and Committees to bring a diverse perspective on the management pipeline. Build out L&D across the Board and Executive leadership, considering strategic priorities, principal risks, and skills matrices to supplement any succession planning work. Address governance issues and reward design at Rem Co by addressing historical governance issues impacting reward philosophy and design. Clarify the role of the Rem Co against the Code and discuss any mitigating actions around independence of members and review the suitability of LTIPs.

02 Executive Summary – Board actions

Board priority actions

(Continued)

D - Review underlying team processes (MI, Agenda, minutes etc) to...

- Improve transparency, efficiency, and effectiveness. With a relatively new Board and an absence of long-serving corporate memory, clear agendas and MI are essential for comprehensive debate and action follow-up. Feedback loops must ensure timely resolution of actions.
- Address the impact that poor MI has on the effectiveness of discussion and decision making at Board (and other decision-making forums) thereby reducing accountability and effectiveness within POL's governance hierarchy.
- Many comments made around the lack of informal get-togethers and unstructured dialogue at Board. All comment this format is critical in building trust between members and driving more efficiency at formal meetings.
- Trust is lacking between Board members, exacerbated by the perception that there appears to be a two-tier Board with some NEDs/INEDs excluded from certain decision-making, which is carried out informally by a sub-group of the Board.
- Address a lack of clarity noted through reviews of 12-14 months of Board/Committee minutes, as to whether actions had been resolved or removed because of inaction.

The Board to...

- Review rolling agendas to ensure sufficient balance between historical, operational and strategic matters
 - Provide greater oversight of the work of Nom Co and Rem Co, with time allocated for full updates and debates on delivery against ToRs to assess whether elements of the people agenda needs to be picked up at Board
 - Consider regular informal get-togethers to allow for unstructured discussion and building of trust and engagement.
- Overhaul MI with higher-quality papers, simplified and streamlined content. Consider the addition of dashboards for measurement and insights and the use of training / AI tools. Look at shutting down the reading room in order to drive more ownership of content in Board papers. Equally empower the Secretariat to reject papers which do not meet standards for the board and instil the same discipline within the Enterprise governance hierarchy with clearer accountabilities and actions recorded.
- Although discipline around actions and feedback loops in minutes has improved more recently with the updates on actions provided for in the Matters Arising Schedule, maintaining this discipline will ensure proper oversight, accountability and delivery (and root cause assessment).
- Promote transparency by allowing all NEDs to access content from Board and Committee meetings. Additionally, evaluate the validity of the two-tier board structure and address concerns about informal decisions being made outside of the Board to ensure that the purpose and value of the Board debate is not bypassed.



03 Executive summary – Executive priority actions

03 Executive summary – Executive actions



The resolution of the following issues are essential at Enterprise level in addressing the current weaknesses in the governance structure

- E - Division of responsibilities – simplify the delegated authorities reporting up into the SEG
- F - Leadership capacity and succession planning
- G - Strategic focus
- H - Risk Management

Executive priority actions

E - Division of responsibilities to be reviewed because...

- The accountability chain for POL is complex and further complicated by no clear purpose and strategy from which to performance manage and prioritise efforts. The web of stakeholders and their related interests in POL has influenced an unnecessarily multifaceted governance framework at Enterprise level where resolution to issues has been through layering of Committees and passing decisions up rather than streamlining the accountability chain.
- This places a significant burden on the Board due to matters that should ideally be addressed at a lower level. Efficient governance structures typically involve a clear delineation of decision-making authority and the delegation of operational and lower-level issues to appropriate levels within the organisation. When lower-level matters are consistently escalated to the Board, it can impede the Board's ability to focus on strategic oversight and impactful decision-making.

At Enterprise level...

- Streamline the executive level committees to drive transformation and decision-making. This is being addressed through the reorientation around a newly formed SEG to review the subsequent DoA, Committee structures, and identify define leadership roles and assess subsequent leadership capability and capacity thereafter. As part of this exercise consider reorientating some current forums (such as the Health and Safety Committee and the Pensions Plan Governance Group below SEG level) and further reduce the number of direct reports going into the CEO, with a presentation to the Board. Furthermore,
 - embed new Leadership Team (LT) with performance-based job descriptions
 - implement clear RACI system and focus on performance management
 - review the DoA spend approvals to drive relevant decisions being taken at the appropriate levels, thereby managing and reducing the frequency of simple matters escalated to board (i.e. OPEX approvals)
 - design ToR and DoA for Committees reporting into SEG, ensuring single point accountability.
- Secretariat to provide interim reviews of the revised structures or consider internal audit reviews to identify root causes of delay within the Sub Committees as they develop.

F - Strategic direction to be defined because...

- Clarity on strategic design principles is needed within POL and the SEG to ensure cohesion and accountability as a leadership team in a competitive and transforming market.
- There is a need to address leadership capacity within POL by better defining role clarity and accountability, elevating the people agenda, addressing skill gaps and rebuilding collective leadership confidence and capacity, emphasising performance management, collaboration, ambition, and trust.

At Enterprise level...

- SEG to agree on strategic design principles with the Board and establish a cadence for progress updates. Agree on cultural/leadership principles and hold each other accountable, and model these in the organisation.
- Ensure any strategic design is supported by a culture framework/dashboard with performance management as a key pillar. Consider a refresh of values, aligning with the culture framework, and 'Project Ethos' work.
- Create a high-level communication plan with key milestones for POL to signal a wider organisational reset. Consider three themes around the topics of; Reset (governance and leadership), Renew (strategic framework), Reboot (culture and behaviours) and highlight some expectations / metrics under each.
- Prioritise fully developed ideas for submission to DBT/the Shareholder on the long term ambition of POL with a timeline, during annual Strategy days.

Executive priority actions

(Ccontinued)

G - Leadership capacity and succession to be reviewed because...

- Limited focus on SEG and LT succession planning poses an operational risk and leadership capability and capacity below SEG level is not clear. As an example, there is limited thought and focus given to succession planning around the CEO (and Deputy CEO) and CFO roles.
- Historic rotation of personnel in the Head of People/CPO role has exacerbated people issues and requires attention from the Board, Rem Co, Nom Co and the Executive. Although we are encouraged by the work being undertaken by the new CPO.
- There is a need to address concerns around transparency and EDI in recruitment processes.

At Enterprise level...

- Urgently address Executive succession planning, including ED&I principles, with input from Nom Co and SEG. Consider potential strategic skill gaps and succession, potentially introducing a Chief Operating Officer role.
- Seek clarity from the Shareholder on the CFO role and its impact on board resolutions and interim candidates.
- Develop a skills matrix for the LT and job descriptions with performance metrics aligned to the DoA and governance structure review being undertaken below SEG. Implement wider SEG and leadership training/communication plan regarding this refresh covering purpose, meeting discipline, MI formats and accountability.
- Review the recruitment process, addressing concerns and enhancing consistency around ED&I.
- Establish clear policies and processes for people management, including role descriptions, accountabilities, and performance management procedures, which we understand is being driven by the CPO.

H - Risk management to be enhanced as...

Feedback suggests that while POL has a well-established risk policies and processes and an internal audit function there is a need to review aspects around the practical application to create a more dynamic and proactive risk environment, which fosters a culture of accountability and ambition, namely:

- Address the risk-averse culture at POL, it's crucial to review how the control environment contributes to this dynamic. Overcoming any resistance to change is important to shift the ownership of risk into the business and away from the second line of defence. This shift will deliver improved outputs and encourage a more proactive approach to risk management.
- Elevation of the Risk Function to provide a more prominent role across the business to emphasise the importance of risk (to include Postmasters and subsidiaries as well) in strategic decision-making, identifying and seizing opportunities, and optimising the use of capital. This will help integrate risk considerations into day-to-day operations and strategic planning.
- On this point the remit of Postmasters' responsibilities should include managing risks as with the rest of the first line of defence. This should be made clear in relevant risk documentation and through training.
- There need to address the ARC Papers into a more digestible and practical output to inform better decision-making within the committees and across POL.

At Enterprise level...

- Re-visit the newly introduced changes in reporting lines as far as the risk function is concerned and consider whether a more appropriate line of reporting should be introduced both from an independence and elevation level (i.e. moving from General Counsel to CEO)
- Invest time in L&D programs design to ensure employees in the subsidiaries and Postmasters as well as the rest of POL are aware of risk management training, which should be owned by the SEG setting 'tone from the top', giving more prominence to risk management. Individual risk reporting should be used as a driver for decision-making and subsidiaries and Postmasters should be included.
- Improve the articulation and presentation of ARC papers to ensure that risk matters receive sufficient airtime and debate outside formal reporting and review proposed agendas to ensure adequate attention to risk matters.
- Formalise Risk Appetite and Thresholds; undertake a holistic review to introduce a more structured, formal approach to setting risk appetite, tolerances, and thresholds, and update the risk register to clearly stipulate existing/updated risk thresholds. To date, relatively conservative risk appetite and tolerances have resulted in a number of risks being reported outside of appetite on a continuous basis.

04 Summary findings against the Principles of the UK Code

04 Summary findings – the Principles of the UK Code

Summary of progress against Principle 1 of the UK Code

Details on findings on Board Leadership and company purpose included at Appendix 3

We have used the high-level thematics of the UK Code to inform our key observations around priorities related to leadership direction and capacity, culture and the wider stakeholder environment, and have provided the same analysis for the other principles overleaf. We would highlight that ratings are also impacted by circumstances outside of the Board's control.

- POL is facing challenges in agreeing on strategic design principles, with uncertainty surrounding how Board Leadership is driving Executive accountability in this regard. There is a lack of ownership of culture/the people agenda at the Board level and strategy design is influenced by government funding cycles, hindering long-term planning.
- The ambiguity in decision-making, from lack of strategic criteria (and poor reporting) creates risks in resource utilisation. Effective communication with stakeholders is crucial, and simplifying decision-making structures and reviewing and communicating protocols and accountabilities is necessary
 - Both the Board and SEG need to work collectively to unify and drive clarity through culturally aligned measures of performance.
- While Business Unit level strategy is clear, there is a lack of visibility on trade-offs at the centre and connectivity across the business, leading to indecision.
- The annual and three-year budgeting cycles do not support long-lasting investment schemes needed for successful delivery of strategic priorities. An overarching, rolling five-to-ten-year funding facility with shorter budgeting cycles feeding in should be considered for long-term planning.
- There is a culture of reluctance to make decisions due to fear of scrutiny, lack of clear accountability and poor management of underperformance. Over reliance on Shareholder input and untimely agreement of reward structures also impact clarity around prioritisation and performance management.
- Trust between Executive and Non-Executive members of the Board is low. Developing a common ambition and improving informal engagement may help. Recent additions to the Board have however, improved diversity of discussion and outputs.

Board Leadership and Company purpose	Rating
A. The company is led by an effective board, who promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	●
B. The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	●
C. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	●
D. For the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	●
E. The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	●





- Divergence from UK Code principles
- Areas where standards do not meet all code principles or where there is work in-flight to remedy
- Areas where Code standards are met or where there are only minor weaknesses




04 Summary findings – the Principles of the UK Code

Summary of progress against Principle 2 of the UK Code

Details on findings on Division of responsibilities included at Appendix 4

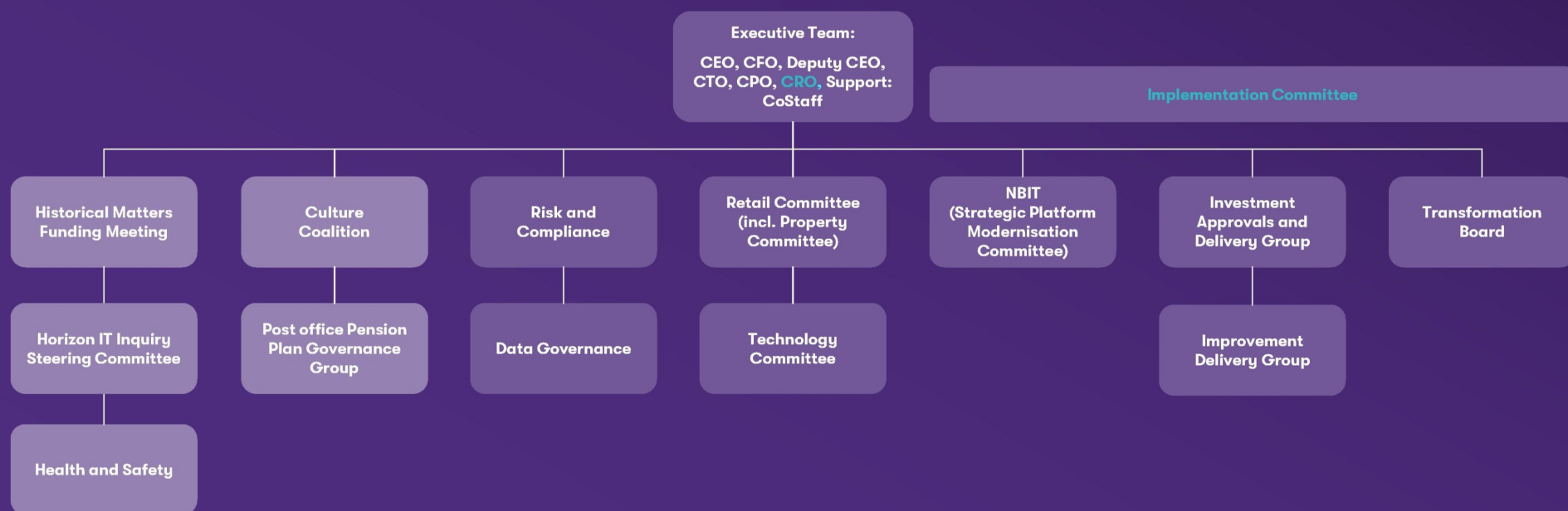
- Board and Shareholder roles and responsibilities need clarification. Also there is a need to redesign Enterprise-level roles, responsibilities, and authorities – too many operational decisions are coming up to the CEO, SEG and Board. At Board, division of responsibilities is largely in line with market best practice although, attention is required to confirm whether Nom Co and Rem Co have the capacity to deliver against their wider ToR's.
- There is a muddling of responsibilities and conflicts at the Board and confusion around roles, responsibilities, and authorities, resulting in a high cost of decision-making. This confusion permeates down the organisation and drives a lack of performance management.
- Some views were expressed as to a two-tier Board being in operation, where decisions are taken outside of the formal structure and without proper debate. Differing levels of visibility on Committee papers and minutes add to this, with not all NEDs (i.e. only INEDs) having the same ability to access and read Committee papers and minutes.
- Continuous dialogue between POL and UKGI/DBT has developed, creating confusion and cultural and capability issues. To move forward, a review of foundational governance documents is needed to sharpen clarity on accountabilities and reduce day-to-day interaction, becoming more 'arm's length'.
- The existing governance structure below the Board is extensive, leading to an "untidy house" at the Enterprise level and clouding accountability. Simplifying the decision-making structure would improve effectiveness and transparency. The SEG is in the process of redesigning the decision-making structure, with illustrative suggestions provided for future structure support.
- There is a need to create a more structured approach for rolling agendas, overhaul MI for better Board discussions, and consider the purpose of the "reading room". Additionally, clarity is needed on whether actions have been resolved or removed due to inaction, although recent improvements have been made with the introduction of the Matters Arising Schedule.

Division of responsibilities	Rating
F. The chair leads the board and is responsible for its overall effectiveness in directing the company, demonstrating objective judgement, promoting a culture of openness and debate. The chair facilitates constructive board relations and the effective contribution of ensuring that directors receive accurate, timely and clear information.	
G. The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors. No one individual / small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities.	
H. Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	
I. The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	

-  Divergence from UK Code principles
-  Areas where standards do not meet all code principles or where there is work in-flight to remedy
-  Areas where Code standards are met or where there are only minor weaknesses

04 Summary findings – the Principles of the UK Code

Proposed Executive structure – Jan 2024

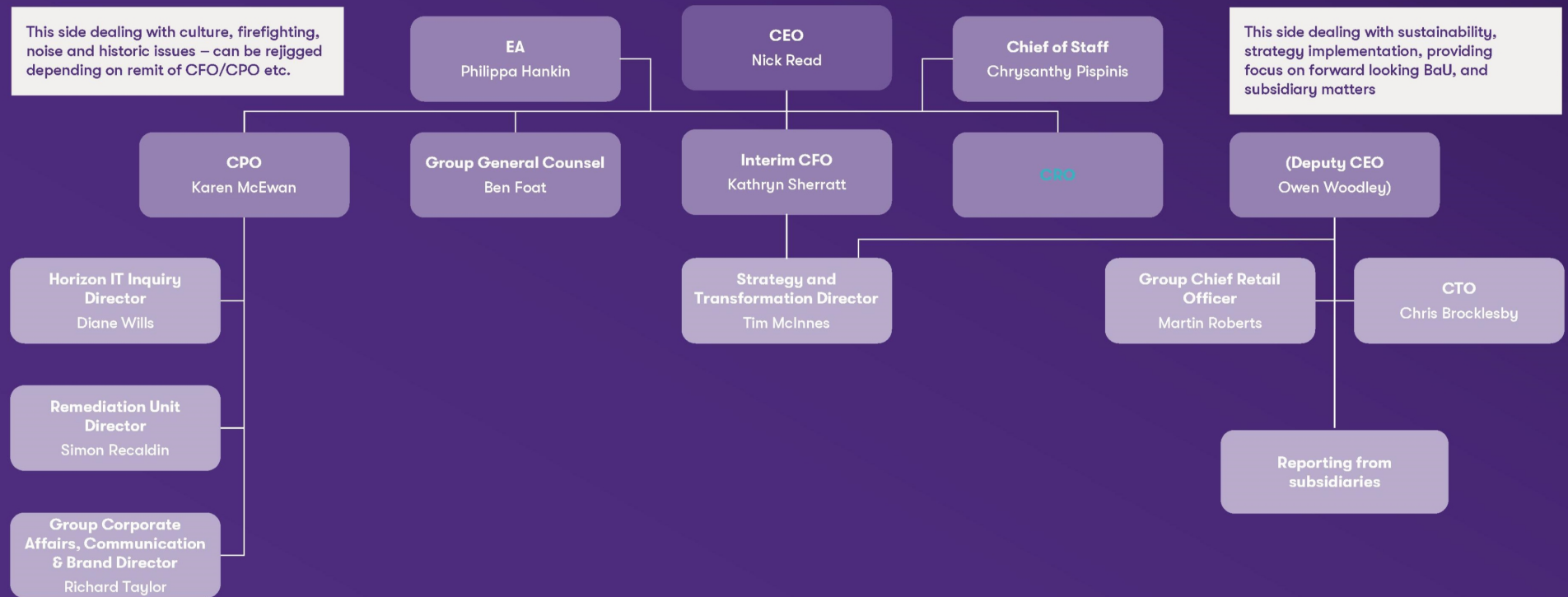


Key: **blue roles** highlight new roles/committees to be considered

Proposed non-GE level committees

04 Summary findings – the Principles of the UK Code

Proposed further simplified Executive structure









04 Summary findings – the Principles of the UK Code

Summary of progress against Principle 3 of the UK Code

Details on findings on Composition, succession and evaluation included at Appendix 5

- The sudden departure of the Chair, impending rotations/departures of INEDs, Postmaster NEDs, and the Deputy CEO, along with the long-term absence of the CFO and inadequate succession planning, have created a perceived weak directive at a critical time for the business. Corporate memory, skill gaps, and lack of diversity need careful management. Rapid, focused implementation is needed for the "People" agenda and related issues, particularly in performance management and accountability, both of which requires a laser sharp focus.
 - anticipated simultaneous/close to each other departures of Postmaster NEDs indicate poor succession planning and the lack of transparency around senior appointments, which hampers Board discussions and trust and poses a growing risk within leadership
 - urgent recruitment of new Board members with appropriate skills, experience, and alignment with the current Board is crucial, but may be challenging due to negative public perceptions. The identification and appointment of a Chair is key to informing further recruitments and ED&I efforts
 - the current Executive team lacks cohesion, hindering the development of an innovative and sustainable strategy. The absence of a permanent CFO is causing issues at the Board and operational levels, and the planned departure of the Deputy CEO requires urgent attention to avoid gaps in the Executive team. A COO should be the next recruitment focus
 - actions taken to address the layering and complexity of Committee structures within the SEG are promising
 - the organisational culture lacks accountability and fails to address poor performance, largely due to a lack of clarity on strategic priorities, roles, and responsibilities.
 - whilst the Board has been diligent in undertaking annual evaluations of its performance, it has been unable to progress forward on the actions/recommendations which have arisen over the years, many of which are not dissimilar to the findings in this report.

Composition, succession and evaluation	Rating
J. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote ED&I.	
K. The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.	
L. Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	




-  Divergence from UK Code principles
-  Areas where standards do not meet all code principles or where there is work in-flight to remedy
-  Areas where Code standards are met or where there are only minor weaknesses




04 Summary findings – the Principles of the UK Code

Summary of progress against Principle 4 of the UK Code

Details on findings on Audit, risk and internal control included at Appendix 6

- Based on the feedback and observations about the risk management, governance, risk appetite, risk culture and internal audit arrangements at POL, several key points and the general control environment, we would make the following observations:
 - uplift the Risk Management Process: The risk management process at POL is relatively well-established, but further enhancements and uplifts to the risk documentation are needed to ensure that the risk management arrangements mature. This includes elevating the Central Risk Function across the business to gain necessary prominence and using risk management as part of improved strategic decisions
 - the recent change in the reporting structure aligned the Head of Risk with the General Counsel to address conflicts of interest. However, recent developments may necessitate reconsideration of this reporting line. It may be more appropriate for the Head of Risk to report directly to the CEO to ensure independence and prominence in the current environment
 - there is a risk adverse culture at POL which will require a comprehensive approach to address including, training, leadership commitment and strategic alignment. Elevating risk in the organisation will support these steps
 - is a need for improved articulation and presentation of ARC papers to ensure that risk matters receive sufficient airtime and debate outside formal reporting. The agendas should also be reviewed to ensure that risk matters receive adequate attention and discussion
 - the introduction of the Governance, Risk, and Controls tool, ServiceNow, is a positive development for automating risk reporting. However, a more holistic review should be undertaken to introduce a formal approach to setting risk appetite, tolerances, and thresholds, aligning the organisation with industry best practices
 - considering the specific risk expertise needed, POL should consider appointing new NEDs with specific risk skills and experience, potentially leading to the separation of the ARC to allow for more focused discussion and a deeper understanding of risks associated opportunities and controls within areas
 - a more formal approach to aligning the risk and controls environment and internal audit across subsidiaries and Postmasters to be considered to ensure consistent and effective risk management across the entire organisation
 - clearly improved articulation around the longer-term purpose and strategy will help improve the impact of the control environment within POL.

Audit, risk and Internal control	Rating
M. The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	
N. The board should present a fair, balanced and understandable assessment of the company's position and prospects.	
O. The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	

-  Divergence from UK Code principles
-  Areas where standards do not meet all code principles or where there is work in-flight to remedy
-  Areas where Code standards are met or where there are only minor weaknesses

04 Summary findings – the Principles of the UK Code

Summary of progress against Principle 5 of the UK Code

Details on findings on Remuneration are included at Appendix 7

- Rem Co is actively addressing the urgent issues surrounding historic reward schemes and is working to reduce complexity and noise under the new Chair. Other points of note:
 - clarity is needed regarding governance and accountability around reward design and decision-making between the Enterprise and Rem Co, as well as between Rem Co and the Shareholder.
 - In line with the above Rem Co needs to establish what matters it is seeking to shape and propose to the Board and where it intends to seek guidance from the Shareholder
 - the overall remuneration philosophy needs to be simplified and agreed upon with the Shareholder. While the remuneration strategy aligns with good practice, practical execution and historical focus on rewards schemes need attention. Lack of clarity and concerns around responsibilities and information accuracy have also contributed to decision-making costs and diminished accountability and effectiveness within the Rem Co and governance hierarchy
 - steps are being taken to improve governance policy and procedures, transparency, and trust within the culture. The people function's capability and capacity need review to ensure timely and sustainable delivery of changes. There is a need for clear understanding of individual roles in achieving strategy and accountability across the organisation, supported by reward
 - the recent Rem Co meeting addressed a packed agenda, including a robust debate on the CEO's objectives and incentive plans. The new Chair is eager to implement a more long-term approach to incentive plans, which is seen as positive. Related to that there is a need for a structured rolling 12-month agenda to focus on effective and timely agreement and communication of future reward schemes and address wider aspects of Rem Co's ToR.

Remuneration	Rating
P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.	●
Q. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	●
R. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	N/A

● Divergence from UK Code principles
 ● Areas where standards do not meet all code principles or where there is work in-flight to remedy
 ● Areas where Code standards are met or where there are only minor weaknesses

05 Appendices

Appendix 1

Scope and methodology

05 Appendix 1 - Scope and methodology

Scope

- The purpose of this review is to gain an understanding of the governance processes and structures within the company, covering various tiers of management from the Board to the Group Executive, Sub Committee level, Business Unit level, and other decision-making entities as identified by POL. The review also aims to assess these processes and structures against industry benchmarks and best practices of organisations with comparable structures.
- Throughout the review, there is a particular focus on how decisions, MI, and policies flow both up and down the management structure, and whether they support effective decision-making aligned with the organisation's strategy and governance standards. The practical application of governance structures and their impact on actions, feedback loops, and decision-making outcomes are also under consideration.
- The conclusions drawn for this report are based on:
 - 10 interviews with Board members (excluding the CFO) and 20 interviews with senior executives
 - an online survey platform to assess the practical application of governance practices within the company at both Board and Senior Management levels
 - attendance at the Rem Co meeting in November 2023
 - a limited document review, with a full list of interviews and documentation included in Appendices 10 and 11

Due to the scope and reporting timeframe, the review had to rely on discussions at face value, although efforts were made to reference documentation to form views. The recommendations provided should be considered in this context. The fieldwork for this assignment concluded on 31 January 2024.



05 Appendix 1 - Scope and methodology

Methodology

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



- We have used the themes of the UK Code to frame our assessment on the effectiveness of the current governance framework within POL
- We believe the UK Code provides a good proxy for measuring effective decision-making environments as it is widely seen as a distillation of best practices evolved from the UK's largest, most complex companies that are working to retain and create value on behalf of stakeholders. We have also had regard to the Central Government Code
- The UK Code is also clear in outlining that good governance is not just top down. Specifically, companies and their Boards do not just have obligations and duties to stakeholders, but shareholders also have mutual duties to not only communicate around objectives but also to oversee boardroom practices
- Where we consider there is no industry equivalent, we suggest alternative ways in which the Company's current corporate governance framework could be enhanced and/or revised to better align with the Company's purpose and strategic objectives with practices in organisations of a similar size, and who operate in similar markets and sectors
- The UK Code is made up of several Provisions spanning five main Principles of corporate governance namely: Leadership and Company Purpose; Division of Responsibilities; Composition, Succession and Evaluation; Audit, Risk and Internal Control, and Remuneration
- The survey formats have been designed with reference to the UK Code and the Companies Act. Some chapters and questions were adapted specifically to POL
- The surveys allow us to ascertain where there is high and low scoring around the practical application of governance including,
 - where there is alignment and/or misalignment within leadership functions and/or whether a large spread of responses indicates a lack of coherence. The survey also provides a benchmark against other Board and management teams and allows us within the Board survey to assess whether there is alignment around priorities.
- In order to test the robustness of our methodology and approach to measuring strong (and weak) governance, we released a White Paper in 2019, ([Corporate Governance and Company Performance | Grant Thornton UK LLP](#)), which examined 10 years' of data (2007-2017) to assess whether a link could be demonstrated between good governance, as measured in the Grant Thornton corporate governance database, (based on the UK Code), and subsequent financial performance (taken across a basket of measures from both the balance sheet and profit and loss statements). As part of this work, we also sought to test whether the UK Code is a good proxy of measurement in terms of a blueprint for developing a sound governance structure
- Output from our research across the FTSE 350 found a link between strong governance and the subsequent creation and retention of value. Our methodology was validated with several internal and external stakeholders, including a peer review by Professor Mike Saks, Emeritus Professor at the University of Suffolk
- Our findings, recommendations, views and conclusions are based upon our professional experience and judgement. This review does not constitute an audit and we have not tested or otherwise sought to verify information provided, other than by discussions with senior management, reference to relevant documentation, and the two online surveys.

Appendix 2

BoardClic Surveys – key findings and actionable insights

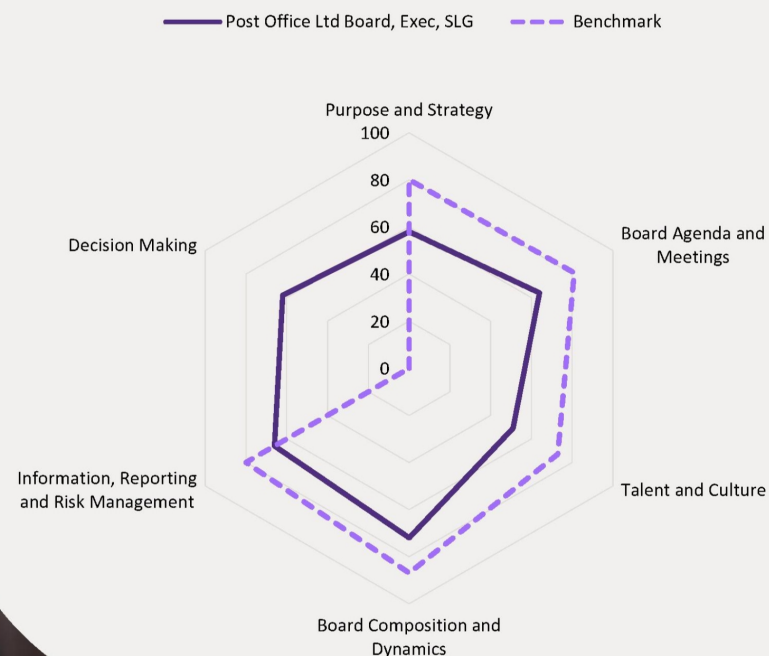
Board survey – governance effectiveness (Oct/Nov 23)

Self-reported overview - from Board members and regular SEG and LT attendees

The Graph illustrates the summary of POL respondent scoring against each chapter of the survey with results benchmarked against 150+ other UK Boards spanning private, listed and the public sectors. The two lowest scoring areas by POL, which also have the biggest delta against the benchmark are Talent and Culture and Purpose and Strategy. The highest scoring area is Board Composition and dynamics. There is no Decision Making external benchmark as questions are bespoke to POL.

Summary of key themes from survey respondent feedback

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



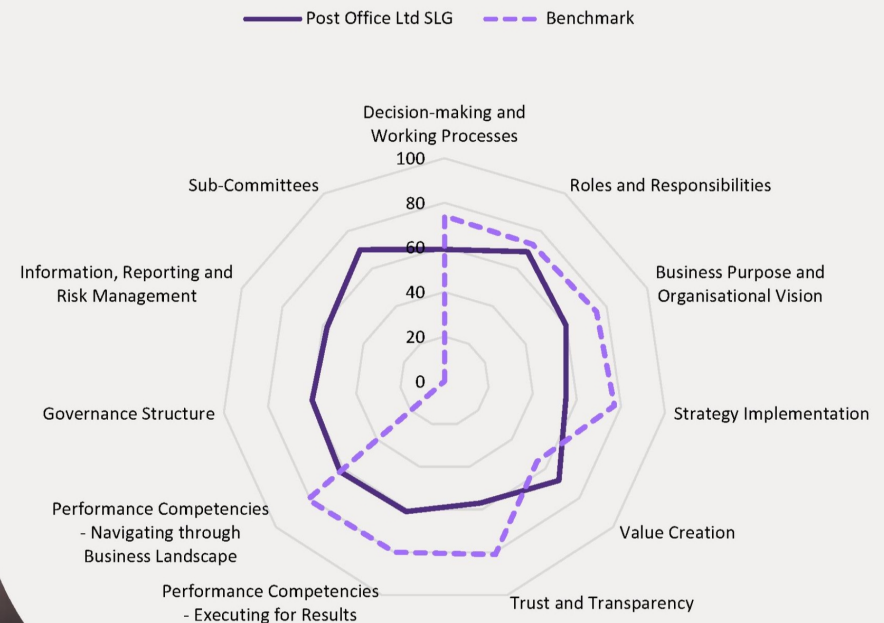
Leadership survey – governance effectiveness (Oct/Nov 23)

Self-reported overview - from SEG and LT (previous GE), LT meeting attendees and SEG sub-committees

- The Graph illustrates the summary of POL respondent scoring against each chapter of the survey with results benchmarked against 50+ Management teams across a range of listed, public sector and private companies in the UK. The two lowest scoring areas by POL, which also have the biggest delta against the benchmark are Strategy Implementation and Trust and Transparency. The highest scoring area is Roles and Responsibilities. There is no external benchmark for the Sub Committee, Information Reporting and risk management and Governance Structure as questions are bespoke to POL.

Summary of key themes from quotes

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

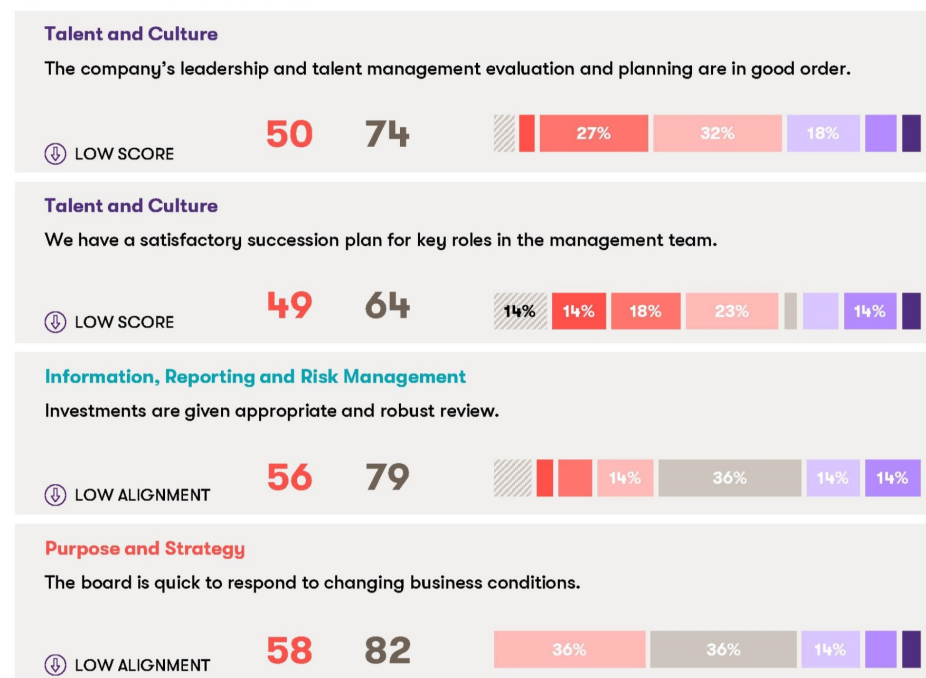


Appendix 2 – Board and Leadership Surveys

Board survey

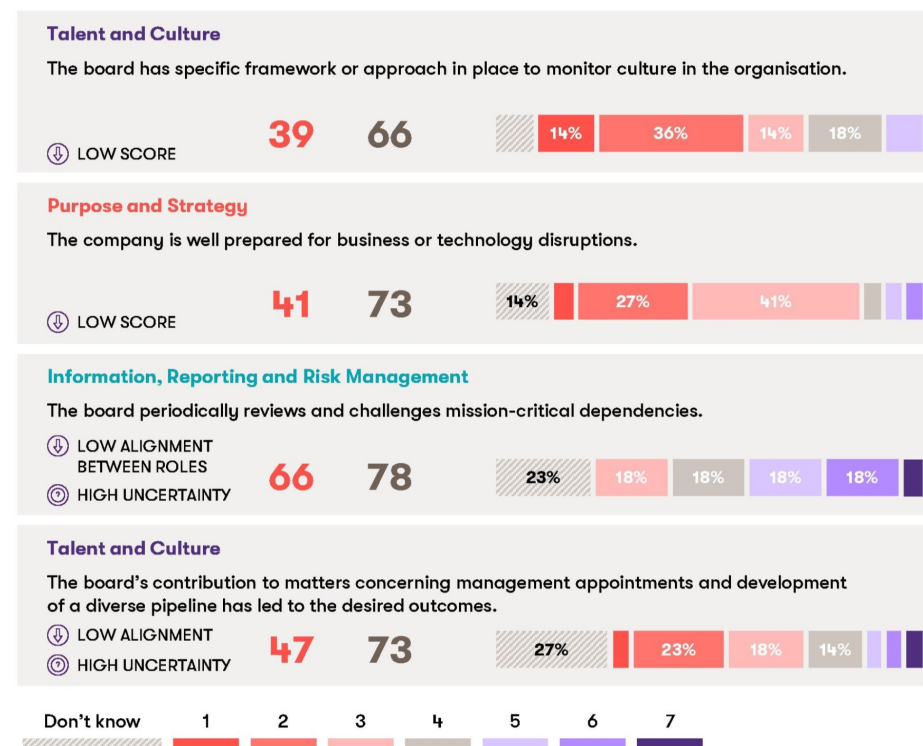
Key areas for attention

The following table highlights those areas which receive either low scoring and/or alignment (as marked against each score at the bottom left). It provides in red the overall POL score against the benchmark of 150+ other Boards.



Results show POL score for each aspect (Red) against benchmark score (grey).

Scale shows % of respondents in each grouping on a scale of 1 = strongly disagree to 7 = strongly agree

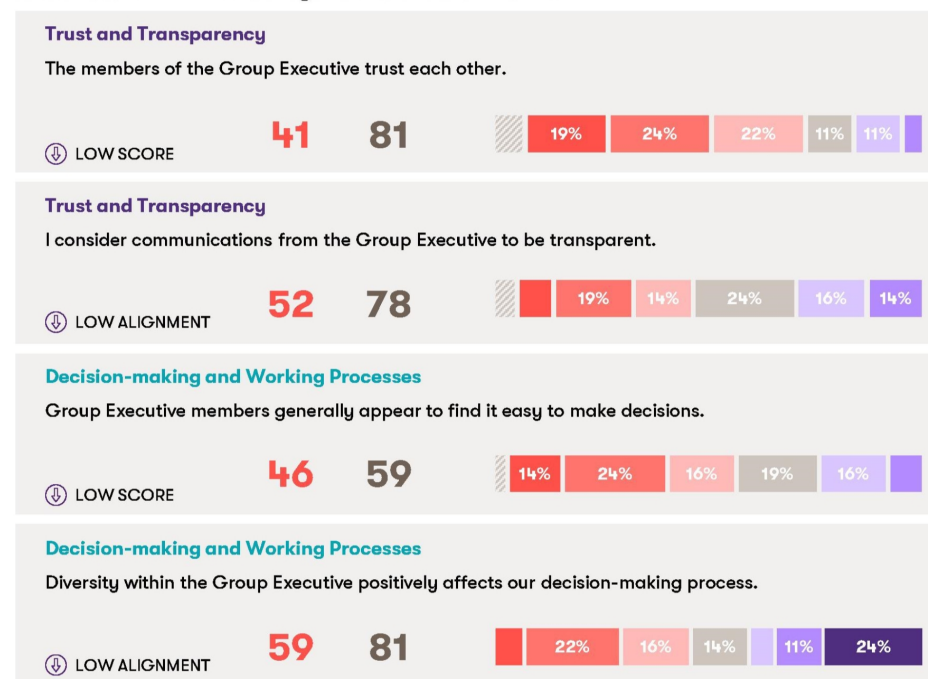


Appendix 2 – Board and Leadership Surveys

Leadership survey

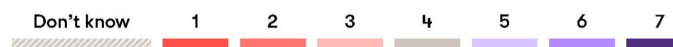
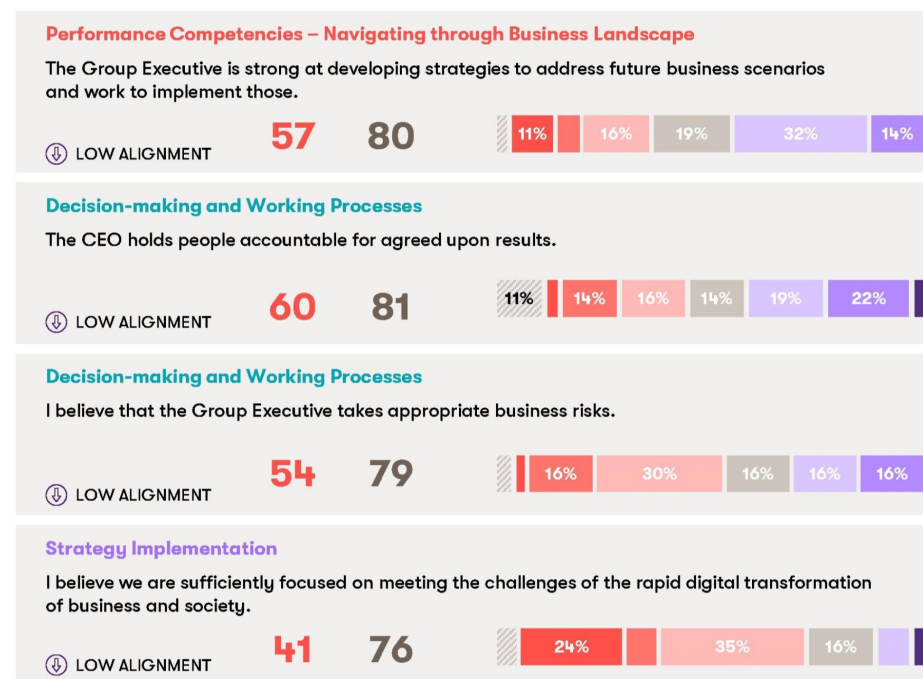
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Results show POL score for each aspect (Red) against benchmark score (grey).

Scale shows % of respondents in each grouping on a scale of 1 = strongly disagree to 7 = strongly agree



Appendix 3

Principle 1 – Board leadership and POL purpose

Principle 1



In this section, we explore the findings on governance aspects related to:

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

Strategy and purpose

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

Appendix 3 – Principle 1 – Board leadership and company purpose

Principle 1

Board leadership and purpose

Board

Based on the information provided, the following key areas need to be addressed to enhance the cohesion of the Board and the SEG as a leadership team and to inform decision-making and corporate memory:

- **Cohesion and Effectiveness of the Board:** The Board is relatively new, with members joining in different years, and thus, there is a need for deliberate efforts to build trust and understanding among the members. Informal get-togethers and unstructured dialogues can help in building relationships and fostering effective teamwork.
- **Strategic Discussions and Follow-Up:** The Board discussions and papers are not always strategic enough, and there is limited follow-up on strategic plans. This highlights the need for more strategic focus in meetings and a structured approach to follow-up actions from strategic discussions.
- **Development of Long-Term Strategy:** There is a lack of pace in putting forward a longer-term strategy to the Shareholder, which is in contrast to the guidance in the foundational governance documents and the Minister's Letter. It is recommended to use strategy days to develop ideas for longer-term strategies to be presented to the Shareholder at an appropriate time.
- **Utilising the Experience of Postmaster NEDs:** The introduction of Postmaster NEDs to the Board has provided valuable insight into the experience of Postmasters, but there seems to be a missed opportunity in not effectively utilizing this feedback. There is a need for NEDs to present back to the Postmaster community, sharing insights and communicating with them at events.
- **Formal L&D Program:** There is an absence of a formal learning and development program for the Board. Considering the relatively new composition of the Board, a structured learning and development program can help in building skills, fostering collaboration, and enhancing the effectiveness of the Board.
- **Succession Planning and Skills Mapping:** There are concerns over the future make-up of the Board and the basic level of succession planning and skills mapping in place. It is recommended to address these concerns and ensure robust succession planning and skills mapping to maintain a well-rounded and capable Board.

Addressing these areas can contribute to the development of a cohesive and effective Board and SEG as a leadership team, informed decision-making, and the establishment of a clear long-term strategy to guide the organisation's direction.



Appendix 3 – Principle 1 – Board leadership and company purpose

Principle 1

Board leadership and purpose - Executive leadership

Executive leadership

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

Points of note from survey and comments made to Grant Thornton during interviews

There are significant challenges related to trust, communication, and leadership within POL namely:

- **Lack of Trust and Negative Behaviours:** The historical behaviours of GE members have led to a lack of trust, with individuals acting in isolation, betraying confidences, and openly criticizing each other. This has created an environment where negative behaviours are not appropriately addressed, leading to further erosion of trust.
- **Ineffective Decision-Making and Board Utilisation:** The inability of the GE to unify around decisions has led to the Board being used as a forum to find agreement. This indicates a lack of effective decision-making processes within POL.
- **Internal Communications and Trust:** Effective internal communications are essential for maintaining employee engagement and trust. Comments suggest that internal communications are treated in a political manner, leading to a lack of authenticity and trust. There is a need for more transparent and authentic communication.
- **Leadership Capacity and Agenda-Driven Behaviour:** There are concerns about executive leadership capacity, as well as the CEO's focus and ability to build a stable and high-performing management team. Some members of the leadership are noted to direct activities to protect their own interests or drive their own agenda, which is seen as frustrating and costly to the business.
- **Lack of Insights and Educator Role:** GE discussions are not seen as useful and suffer from a lack of insights, with some individuals bearing the role of “educator.” This indicates a potential lack of collaboration and shared learning.

These challenges highlight the need for a comprehensive approach to address cultural and behavioural issues, improve decision-making processes, and enhance leadership capabilities. It is essential for POL to focus on building a culture of trust, transparency, and open communication, while also ensuring that leadership is aligned with the organisation's goals and values. Additionally, there should be a focus on fostering a collaborative environment that encourages learning and the sharing of insights.



Appendix 3 – Principle 1 – Board leadership and company purpose

Principle 1

Board leadership and purpose - Culture

Overview

- The pervasive culture throughout the organisation whereby individuals are reluctant to take decisions was clearly stated to us by virtually all interviewees, both at Board level and below. This has a detrimental effect on the effective working of the business. The reasons for this and the effects of it are varied but include:
 - the extreme pressure that the Company is under. POL is in fire-fighting mode dealing with legacy issues as well as the Horizon IT Inquiry developments. This, coupled with hostile media coverage and Government distrust is leading to micro-management. This micro-management is counter-productive (although understandable) and is engendering a siege mentality, which is sucking up resources and inhibiting positive action
 - there is a culture of fear of getting it wrong, so it is easier to put decisions aside if the accountability is not clear and followed through. Driving this is an intense amount of public, media and Shareholder scrutiny, as well as potential FOI requests. Overall, there is so much external pressure to not 'mess up' again, that it is paralyzing activities in the organisation
 - in some cases, accountabilities are not as clear as they should be to counteract the above inherent weaknesses, both at an individual level, and in relation to committees and other management forums. There is also no universally understood RACI matrix to fall back on to unlock this
 - issues around the governance and delivery of the NBIT programme. The successful delivery of this programme is critical to restoring credibility with Postmasters. It also underpins the ability to undertake future thorough internal investigations. Whilst this is not directly within the scope of our work, interviewees proactively mentioned that this is mired in delays and cost overruns, bringing into question the credibility of MI

- there is also a capability issue. This is material because it leads to making processes overly complex. Due to the present intrusive nature of the shareholder's oversight, many decisions go up to government, which is seen as very slow. People become immune to making decisions because of the number of people overseeing, considering and deciding. A reluctance to take responsibility means that operational decision making gets pushed up to the CEO or other GE members, taking valuable time away from their day jobs and, for the CEO, tying him down in operational decision-making when he should be leading

Themes from survey and interview

The feedback from the interviews and surveys indicate significant challenges related to performance management, risk aversion, and board attitudes within the organisation. Specifically;

- Lack of Accountability for Underperformance: POL struggles with holding individuals accountable for underperformance. This may be due to a risk-averse approach to managing people out of POL, as well as uncertainty around funding leading to project prioritisation/de-prioritisation at short notice. Despite having the necessary people policies and processes in place, the cultural ambiguity and widespread perceived behaviours among the leadership team make it difficult to enforce sanctions for non-adherence to policies.
- Risk-Averse Attitude and Board Influence. There is a prevailing risk-averse attitude from the Board, which has a significant impact on the POL. Employees feel hesitant to put forward more risky or commercially courageous options due to the fear of immediate rejection by the Board.

- Self-Reinforcing Cycle: The risk appetite of the Board permeates much of POL's decision-making processes, creating a self-reinforcing cycle where risk-averse behaviours are perpetuated and continue to impact the POLs culture and performance.

To address these challenges, consider the following actions:

- Develop a culture of accountability: Encourage open dialogue about performance expectations and hold individuals accountable for their performance through fair and transparent processes.
- Address risk aversion: Encourage a balanced approach to risk-taking and decision-making, where employees feel empowered to propose innovative and commercially courageous options without fear of immediate rejection.
- Foster a culture of trust and empowerment: Provide opportunities for employees to contribute to decision-making processes and feel empowered in their roles, improving overall trust and engagement.
- Review and clarify policies: Ensure that the policies are clearly understood and enforced, addressing any cultural ambiguity and perceived behaviours that hinder effective performance management.

By addressing these areas, POL can work towards creating a more accountable, innovative, and empowered culture that supports performance management and overall success.

Appendix 4 – Principle 1 – Board leadership and company purpose

Principle 1

Board leadership and purpose

MI, minutes and agenda

- Based on the review of the papers, MI, agendas, and minutes of the Board and Committees for the period between September 2022 to December 2023, the following observations and recommendations were made:
 - While the quality of Board papers is improving, there is still a concern about the volume and lack of effective insights to support decision-making. It is recommended that management information be synthesized to extract important insights and reduce the amount of background information. Additionally, it is suggested to remove the voluminous background information from the reading room and encourage preparers of papers to contain relevant information in the management information pack.
 - Alignment with Strategy and Decision-Making: In the absence of a clear strategy, management information is often presented in a way that prioritizes each author's personal agenda. This highlights the need for alignment with a clear strategic direction to guide the content of management information.
 - Board Discussions and Decision-Making: A significant proportion of the information presented to the Board is operational in nature, which hinders proper discussions around the themes that drive the commercial success of the business. There is a need to ensure that the Board has the proper discussions it should have around these important themes.
 - Clarity and Communication of Actions: There is a lack of clarity regarding whether actions have been resolved or removed due to inaction, both at the Board level and within the central function.

- It is noted that there has been improvement with updates on actions provided in the Matters Arising Schedule. Additionally, there is a need for timely communication of assigned actions out of Board/GE meetings.
- Minutes of Meetings: The minutes of meetings are considered to reflect the substance of discussions and decisions accurately. While opinions on the style of the minutes varied, it is noted that if the Board is satisfied with the accuracy of the minutes, no change is recommended.
- Committee Papers and Minutes Availability: The availability of committee papers and minutes varies based on membership and independence status, with some Board members finding that the information coming to the Board gives a limited view of matters across the business if not on a Committee or considered independent.

Recommendations

- Synthesise MI to extract important insights and reduce background information.
- Ensure alignment of MI with the strategy and decision-making needs.
- Facilitate proper Board discussions around themes driving the commercial success of the business.
- Improve clarity and communication of actions, both at the Board level and within the central function.

- Ensure the availability of committee papers and minutes provides a comprehensive view of matters across the business for all Board members.

Addressing these recommendations could lead to more effective and impactful Board and Committee discussions and decisions, ultimately supporting POL's strategic objectives and performance.



Appendix 3 – Principle 1 – Board leadership and company purpose

Principle 1

Board leadership and purpose – Board survey output

The below comments have been paraphrased from comments provided by Board, GE and some SLG members via the BoardClic platform. For full details refer to the BoardClic survey.

Summary of survey comments

- The situation outlined indicates several key challenges and areas of concern within the organisation, particularly related to the Board's functioning, strategy development, and stakeholder engagement:
- **Lack of Clarity and Direction:** The Board is experiencing challenges in understanding the government's vision for the POL. The absence of clear guidance from the government regarding its vision for the organisation is hindering the Board's ability to align its strategy with government objectives.
- **Perception of Lack of Independence:** There is a growing perception that the Board lacks sufficient independence from the government shareholder, potentially impacting its decision-making and creating a shield for accountability.
- **Strategy and Stakeholder Engagement:** The conflict between profitability and community service is leading to a muddled strategy. The Board recognises the critical importance of certain stakeholder groups but is struggling to effectively prioritise their interests and engagement in the company's long-term success.

- ESG considerations are not being adequately discussed or prioritised. This represents a significant gap in the Board's oversight of the company's long-term sustainability and ethical considerations.
- **Lack of Strategic KPIs:** The absence of KPIs at the top level is creating strategic gaps and hindering the Board's ability to effectively monitor POL's performance and progress towards strategic goals.
- **Impact of Government Policy Framework:** The Shareholder policy framework is driving decisions that may not be sustainable in the long term, potentially creating conflicts between social and commercial objectives.
- **Public vs. Commercial Focus:** There are conflicting views on the organisation's focus between its social purpose and commercial goals, particularly in the context of maintaining a large network of branches.

Addressing these challenges will be critical for the Board to enhance its governance, strategic oversight, and stakeholder engagement, ultimately fostering sustainable and balanced decision-making aligned with the long-term success of the organisation.



Highest total

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

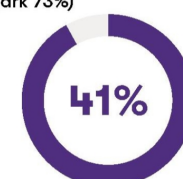
(Benchmark 83%)



Lowest total

The company is well prepared for business or technology disruptions

(Benchmark 73%)



Appendix 3 – Principle 1 – Board leadership and company purpose

Principle 1

Board leadership and purpose - Board survey output

The below comments have been paraphrased from comments provided by Board, GE and some SLG members via the BoardClic platform. For full details refer to the BoardClic survey

Summary of survey comments

The feedback provided by respondents highlights several key areas for improvement in the functioning and effectiveness of the Board:

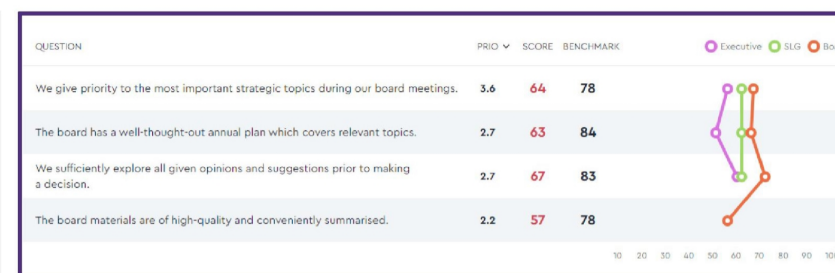
- **Board Paper Quality and Timeliness:** There are concerns regarding the length, quality, and timeliness of Board papers. Respondents feel that the papers are often lengthy, lack adequate summarization, and are not delivered on time. This impacts the Board's ability to efficiently review and deliberate on key issues.
- **Time-Efficiency and Visibility:** The time-efficiency of the Board's work is perceived to be mixed, with some expressing the need for more visibility of Board members across the work and activities of the Board committees. This transparency and open knowledge-sharing are seen as vital for effective governance.
- **Quality and Perception of Board Papers:** Respondents perceive Board papers as lacking in quality, and the volume of information gives the impression of laziness. However, it is noted that some specific papers, such as those related to Retail, are regarded more favourably.

Leadership and Decision-Making: There are mixed views on the Chair's performance, with some feeling that commercial challenges are being addressed effectively but slowed by the need to navigate the dynamics with the Shareholder. Additionally, there is a perception that discussions do not lead to clear and decisive votes, potentially impacting decision-making outcomes.

Information Sharing and Cohesion: The decline in information get-togethers is highlighted as a concern. These gatherings are seen as vital for fostering cohesion and alignment among Board members.

Key priorities to focus on:

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



Highest total

We sufficiently explore all given opinions and suggestions prior to making a decision
(Benchmark -83%)



Lowest total

Board materials are of high quality and conveniently summarised
(Benchmark -78%)



Appendix 3 – Principle 1 – Board leadership and company purpose

Principle 1

Board leadership and purpose – LT survey output

The below comments have been paraphrased from comments provided by the GE and some SLG members via the BoardClic platform. For full details refer to the BoardClic survey.

Summary of survey comments

The feedback provided by respondents highlights several key areas of concern and potential improvement within POL's business purpose, vision, and strategy implementation:

- **Lack of Clarity and Conflicting Priorities:** Respondents express concerns about the lack of clarity on strategic direction, conflicting priorities, and inadequate measurement of strategic objectives. This suggests a need for a more cohesive and clearly defined vision and strategy.
- **Internal Barriers:** Funding limitations, lack of accountability, and siloed working are identified as internal barriers to progress. The persistence of funding challenges is seen as limiting innovation and relevance to customers. Additionally, there are issues with accountability and siloed working, hindering effective strategy implementation and communication.
- **External Constraints Tied to Shareholder Views:** The organisation's strategy is perceived to be closely tied to and limited by the shareholder's vision. Clear shareholder support and funding are seen as crucial for achieving desired objectives.
- **Collaboration and Communication:** Respondents emphasize the importance of collaboration and alignment between the Board, leadership team, and shareholders. Clear communication on achievable goals within financial constraints and a review of shareholder expectations are recommended.

- **Improvement Recommendations:** Suggestions for improvement include clearer accountabilities, better decision-making processes, improved monitoring of progress, addressing historical issues, developing a more proactive culture, and establishing a single set of metrics and key performance indicators (KPIs) linked to the strategy.

Addressing these areas of concern will be essential for POL to enhance its strategic focus, overcome internal and external barriers, and foster improved collaboration and communication with stakeholders. Developing a clear and cohesive vision, addressing funding challenges, and improving decision-making processes will be critical for driving effective strategy implementation and organisational success.



Appendix 4

Principle 2 – Division of responsibilities

Appendix 4 – Principle 2 - Division of responsibilities

Principle 2



In this section, we explore the findings governance aspects related to:

- Roles and responsibilities
- Accountability

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

Shareholder role and the Board

- Reporting obligations and matters requiring the consent of the Shareholder are set out in various foundational governance documents which also connect to wider guidance such as the UK Code and Managing Public Monies
- The principal requirements (in terms of ongoing engagement) contained in the foundational governance documents are, in summary, an obligation to provide a quarterly performance update, proactively endeavouring to share information on key strategic or policy issues, to share details of 'Relevant issues', as defined, and to seek Shareholder approval when required (for Board appointments, funding, etc)
- Upon reviewing the Shareholder Agreement, it is unclear if the role of the Shareholder Representative is well-defined. The description in the Shareholder Agreement appears to be drafted from the perspective of UKGI 'representative director', whose role is to 'support and supplement' the role of UKGI. There is minimal acknowledgment that the role carries the same legal fiduciary responsibilities as any other NED and is expected to prioritize the success of the company above all else.
- We do note however, that the Shareholder Representative appointment letter and the UKGI's opening statement to the Inquiry provide this clarity. The role has the specific aim of bringing an enhanced line of sight into POLs activities, while bringing a government perspective to POL to aid its Board's decision-making. The same legal fiduciary responsibilities and ability to participate in collective decision-making, as apply to POL's other directors, also apply to the Shareholder Representative.
- To advance, it is necessary for both POL and the Shareholder to review foundational documents to clarify accountabilities and reduce day-to-day interaction, alleviating unnecessary bottlenecks in decision making and establishing a more hands-off relationship and driving accountability. The Board should also assess the feasibility of its remit under the Matters Reserved for the Board.

- It is clear the obscurity around the practical application of the foundational documents is introducing unnecessary bottlenecks in the system, impairing decision making and creating confusion as to Leadership remit within POL.
- Equally the current funding cycles (between one and three years) are restrictive for providing clarity regarding long-term business planning. The last statement of Government policy (2010-2015) for the Company is more than ten years old and this policy urgently needs to be renegotiated and updated (when appetite prevails)

Board

- Board division of responsibilities are largely in line with the UK Code and good practice, other than ownership of the broader People agenda (in terms of culture, EDI etc) being more explicit in ToR
- There may be merit at a future date in splitting Risk out from the Audit and Risk Committee to elevate the second line to better support and oversee cultural transformation. However, there is limited capacity at present. Refer to Appendix [6] further details
- Consider whether Rem Co and Nom Co are delivering against their respective ToRs and agree how any gaps can be address by review DoA, capacity, agenda, meeting timings etc. We appreciate the work of these Committees has been impacted by the absence of a CPO until Autumn 2023 (refer to further comments in Section 4 and Appendices [5] and [7])
- Attention is needed to ensure that sufficient visibility/cadence of information is flowing from Subsidiaries up to the POL Board. This includes connectivity between the Board and Committee Chairs with Subsidiary peers (there were varying views on visibility coming from interviews). We understand this routinely happens at ARC level. Refer Appendix [6] for further comment.

Principle 2

Division of responsibilities (continued)

Enterprise

- The POL leadership team (in December 2023) composed of:
 - The Group Executive (GE), a group of 12 individuals who report into the CEO
 - The LT, also known as the GE-1 who comprise the direct reports of the GE, and other senior executives
- The LT met monthly for the communication of board and GE decisions and wider decision-making
- This group had comprised of 100+ individuals, which is now being reduced to roughly a quarter of the size
- The GE's ToR, which again are being reviewed, state that its purpose is to assist the CEO in strategy development and implementation, operational and financial performance monitoring, assessment and control of risk, etc, with the GE functioning as a forum for discussion, decision-making and problem solving. The GE met once a week for this purpose and LT met monthly for the full day
- The GE was then further supported by 12 sub-committees
- From our findings we consider the GE/LT did not operate effectively as a decision-making group and is poorly supported. This is due to several issues
 - the vast number of matters brought to it for decision (100+)
 - large number of individuals reporting directly and indirectly into the CEO (currently being addressed)
 - low-level delegated authorities that limit decision-making;

- Numerous people issues within the organisation which have been exacerbated by the continued rotation of personnel in the Head of People/CPO role as highlighted. Wider issues include, confusion around roles, accountability and cultural behaviour, as well as legacy complexity and mistrust around reward schemes and pay requirements. This area requires continued laser sharp focus at Board, Rem Co and within the Executive. The Rem Co and newly appointed CPO appear to be making positive progress in this area
- There is duplication of papers across decision-making groups which can sometimes appear to take decisions on the same matter twice. We found specific mentions of this happening between RCC and ARC and RCC and Retail Committees
- The effectiveness of certain working groups is not clear. For example, the Improvement Delivery Group (IDG) does not have metrics or key performance indicators to measure or evidence its effectiveness in terms of impact.
- Authority of committees is not clear. IDG was given as an example where it appears to be a body that largely hears and collates actions/information rather than take decisions
- An understandable level of risk aversion, leading to semi-paralysis and a general avoidance of decision-making, which is also impacting performance management. Given the public scrutiny and government ownership dimension, there seems an organisational reluctance to manage underperformance

Points of note from survey and interviews

- Attendance at LT meetings is relatively low
- POL faces several challenges related to its internal processes and decision-making structures. These include a lack of understanding and limited value added in LT forums and committees, leading to a risk-averse environment and avoidance of accountability.
- The Horizon IT Inquiry has caused nervousness and is impacting decision-making, leading to increased reliance on legal colleagues for decisions. Low delegated authority levels and excessive decision escalation are also hindering efficient operations, as are the numerous varying franchise agreements with Postmasters.
- Additionally, there are issues with management reporting lines and unnecessary decision-making by the CEO on operational matters.

Moving forward, addressing these challenges will require improved communication and clarity on roles, reassessment of decision-making processes, delegation of authority, and streamlining of franchise agreements.

It is also crucial to address the risk-averse environment and reduce unnecessary decision-making by senior executives. These steps will be essential in fostering a more efficient and accountable culture.

Principle 2

Division of responsibilities (continued)



Work in flight

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

Interim Implementation Committee – further thoughts

- The proposal for an Implementation Committee (IC) or repurposing the IDG to spearhead the reform effort has several potential benefits.
- This approach could provide a focused and dedicated group to drive fundamental reform within POL. The inclusion of a limited number of committed leaders from the LT, along with an independent chair, can bring a fresh perspective and ensure the necessary expertise in managing complex transformations.
- The proposed IC, supported by an experienced project team, could effectively anticipate and address the technical, organisational, and political challenges that are likely to arise during the reform process. This can help in ensuring that the reform efforts are managed rigorously and in a well-coordinated manner.
- Additionally, the idea of having the committee act as a challenge to the strategy design and provide oversight for the current transformation committees can bring coherence and alignment to the reform initiatives.
- However, the success of this approach will heavily rely on clear communication and support from the LT to ensure that the governance rebranding and the case for change are well understood POL. Effective communication will be crucial in gaining buy-in and creating a shared understanding of the transformation's purpose and benefits.

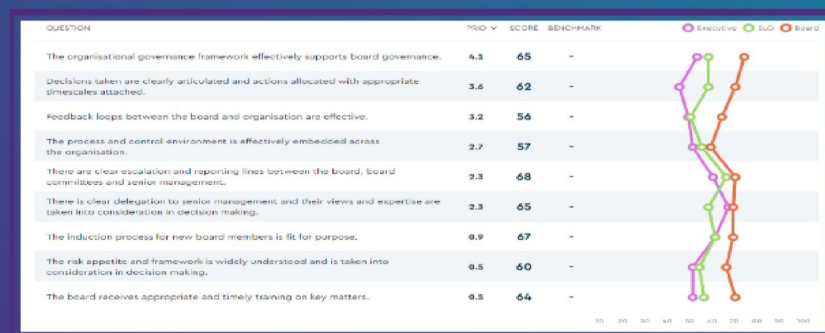
Principle 2

Division of responsibilities - Board survey output

The below comments have been paraphrased from comments provided by Board, GE and some SLG members via the BoardClic platform. For full details refer to the BoardClic survey.

Summary of survey comments

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



Highest total

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

(Benchmark -%)



Lowest total

Feedback loops between the board and organisation are effective

(Benchmark -%)



Appendix 4 – Principle 2 - Division of responsibilities

Principle 2

Division of responsibilities – LT survey output

GE and some SLG members via the BoardClic platform. For full details refer to the BoardClic survey.

Summary of survey

The survey highlights several areas for improvement in decision-making processes within POL. Specifically

- It emphasizes the need for higher-quality management information (MI) to facilitate efficient decision-making.
- The simplification of decision-making forums, and the cultivation of a culture of trust and transparency.
- Additionally, there is a focus on communication and decision-making behaviour, improving DoA and prioritisation, and formalising decision-making groups.

Other survey output to consider:

- **Higher-Quality Management Information (MI):** There is a need to improve the agility and pace of decision-making using high-quality data, metrics, and pre-meeting preparation. Complete and relevant information should be provided to decision-making forums to facilitate efficient decision-making.
- **Simplification of Decision-Making Forums:** Efforts are being made to simplify decision-making forums to improve DoA, speed up decision-making, reduce siloed working, and free up capability that is currently taken up by producing multiple papers.
- **Culture of Trust and Transparency:** POL needs to foster a more supportive and less risk-averse culture, with a greater appetite for risk and improved risk ownership. This should be supported by clear communication and transparency to build trust within POL.

- **Communication and Decision-Making Behaviour:** There are concerns about the overall approach to communication, both internally and externally, and behaviours demonstrated by SEG/GE members that suggest a lack of trust and transparency. POL needs to encourage transparency about mistakes, lessons learned, outcomes, and successes.
- **Improving DoA and Prioritisation:** POL to focus on improving DoA within the leadership team, clarifying accountabilities, and consistently applying them. Additionally, there is a need for better prioritisation of forums, work, and projects based on strategic importance and risk.
- **Related to the above there should be the formalisation of Decision-Making Groups:** Decision-making groups should be formalized and owned by a GE sponsor or sponsors, with decisions respected and taken as sufficiently challenged within these forums. Lack of consensus should be addressed through transparent decision-making.

Some of the suggested improvements include:

- increasing delegation thresholds to enable more decision-making at lower levels and more formalisation of the decision-making processes
- streamlining agendas and MI to reduce the number of decisions requiring higher-level approval
- addressing historical issues that impact POL's risk appetite and decision-making culture.

- Most comments provided seem to have been done in the spirit of fostering a culture of devolved authority, trust, and collaboration, leading to a more streamlined and effective decision-making process.
- Equally it seems there is also a sentiment towards need for a cultural shift towards open communication, proactive collaboration, and clear accountabilities at all levels.
- The proposed improvements also call for a focus on agility and prioritisation.

Addressing these areas will be essential in improving the decision-making environment within POL. It requires a cultural shift towards trust, transparency, and open communication, as well as a focus on clear accountabilities and strategic priorities of projects / programs.



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Appendix 4 – Principle 2 - Division of responsibilities

Principle 2

Division of responsibilities - subsidiaries

Subsidiary Boards

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



Appendix 5

Principle 3 – Composition, succession and evaluation

Principle 3



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

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

Board composition and succession

- Recently the Secretary for Business and Trade removed the POL Chairman with immediate effect. The intention is to appoint an interim Chair to take on the role pending the search for a permanent successor. We understand, in the interim, that Ben Tidswell, the present SID, will chair the Board and Nom Co meetings until a replacement is found, or until he leaves in July 2024
- Further board rotation is imminent alongside this process with expected departures of two INEDs and the two Postmaster NEDs within the next 15 months with very limited visibility around succession planning, skills matrices etc develop to inform thinking
- Ultimately there is too much Board role rotation, and this is impacting the corporate memory, leadership cohesion, decision-making and oversight effectiveness
- As highlighted feedback acknowledges concerns around the lack of proper succession planning – at Board and for key senior leadership roles. As an example it appears that POL did not anticipate that the two Postmaster NEDs would be stepping down at the same time. The lack of awareness of the wider impacts on corporate memory until most recently, coupled with the lack of formal discussions as to how this should be addressed, (other than considering one role to be extended), points to a weak capability in this regard and there should be greater oversight of Nom Co in terms of its capacity to delivery against its ToR. We have subsequently been advised that proposals have been formulated for a staggered step-down process going forward which will be presented to the Shareholder for approval
- In the survey scoring this is one of the areas identified as highest priority yet receives the lowest scoring in terms of effectiveness/impact, refer table opposite (red score below against the general Board benchmark in the third column)

- Aligned to the comments on Succession planning the Board does not appear to regularly review its diversity with regards to background, ethnicity, gender and other minorities; as an example only two members of the eleven permanent Board positions are held by women and the intention around EDI needs to be consider as part of any future composition
- Individually, all board members have significant experience and expertise both at executive and Board level. Interviews cite that there is improving diversity of discussion and debate at Board. However, the Board is still learning how to best work together and be most effective as a leadership group. It is usual to “sacrifice” the first 12-18 months to becoming fully effective
- All cite how much they underestimated the complexity with the Shareholder in terms of governing the organisation and there is acknowledgement that the Board is ultimately approved by the Shareholder which influences its composition
- It is acknowledged that the current level of “noise” surrounding POL is a huge distraction as well as being an impairment to successful recruitment and a plan in terms of talent attraction needs to be thought through.

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

Principle 3

Composition, succession and evaluation

Executive

- The current Executive team, while individually experienced, has historically struggled to form a cohesive and innovative strategy. The accumulated competence and experience is in place, but without aligned and unifying objectives, the collective cohesion is lacking, which in turn reflects poorly on the CEO.
- The current CEO and CFO have been in their roles for an extended period, and the absence of the CFO poses issues during a critical transformation period. The capable deputy CFO has stepped in, but the position needs to be filled permanently to support the anticipated transformation. Additionally, the absence of a permanent CFO is causing issues with Board written resolutions, and amendments to the Articles to permit written resolutions to be passed with a 75% majority are being tabled for Board approval at the POL Board meeting of 1 March.
- There are a number of other (relatively) senior roles which are currently filled on a contract basis within POL in order to speed up decision making and bolster capacity. This is exacerbating the need to build a cohesive leadership team and corporate memory across the organisation, reducing accountability, and ultimately leading to an increase in staff churn.
- The lack of succession planning around the key senior leadership roles of CEO, CFO etc. is causing concern. Succession planning is a key process in ensuring the organisation can deliver on its objectives, focusing on the right number of people, with the right skills being employed in the right roles and at the right time.
- Furthermore, the Deputy CEO has indicated his desire to step down, which if actioned will leave a significant capability gap as we understand he has been impactful in the current role. As part of the wider recruitment plans a COO should be recruited without delay to enable a sensible handover period and ensure an avoidance of further capability gaps occurring in key positions at both Board and Senior Management level. Particularly as the Horizon IT Inquiry will continue to require leadership from the CEO.
- POL is facing numerous "people issues," including confusion around roles, accountability, and cultural behaviour, as well as the complexity of legacy reward schemes, mistrust around pay, high staff churn, and confusion due to a lack of corporate memory.
- A historical lack of tenure in the CPO role has exacerbated these issues, leading to a lack of cohesion in leadership, confusion and duplication of roles and responsibilities, absence of a skills matrix and performance-based conversations, ambiguity in accountability, lack of diversity and inclusion awareness, and poor cultural behaviour. These issues need to be addressed to foster a healthier and more productive work environment.
- The newly appointed CPO, (October 2023), has all these issues as immediate priorities and a three-year people delivery plan is imminent. We are encouraged that the outline proposals for tackling these issues are focused in the right direction in addressing the gaps. A lesser priority is the lack of any formal learning and development plans across the organisation.
- Further points of note from interviews and survey:
 - While new additions have been additive in bringing new, valuable experience, there has not been enough time to re-build collective competence and ways of working
 - It is felt that sometimes recruitment is perceived not to routinely be conducted transparently with reference to the absence of a framework of skills, competencies etc and no EDI thought put into interview panels and targets
 - Capability overall is lacking when it comes to breadth and depth, and increased expertise and experience in certain areas is needed, such as transformation management, effective leadership, although recruitment limitations (i.e. remuneration and government thresholds/appetite) and reputation recognised as limitations in this regard
 - There is limited cross functional working across POL leadership and more needs to be done to facilitate the building of leadership teams

Appendix 5 - Principle 3 – Composition, succession and evaluation

Principle 3

Composition, succession and evaluation



Succession and evaluation

- Related to this, a lack of transparency at Board around senior level recruitment and appointments
- Key development areas highlighted in Board Effectiveness reviews over the last few years remain a gap today. The Board need to clearly establish why it has not resolved a number of the issues outlined both through internal and external reviews
- Internally, there is no structured approach to promotions, no skills or competency frameworks used as a basis with levels set for each cadre, no set requirements for interview panels and no requirement for EDI training. Externally, even though senior appointments could be kept quiet due to valid reasons, such as fears of leaks to the press, this is still hampering discussions and eroding trust in this important area
- A number of relatively senior roles which have been filled on a contract basis rather than by new permanent employees which has exacerbated the lack of corporate memory across the organisation, reduced accountability, and increased staff turnover although we understand this is complicated by the ownership structure and foundational governance documents

Principle 3

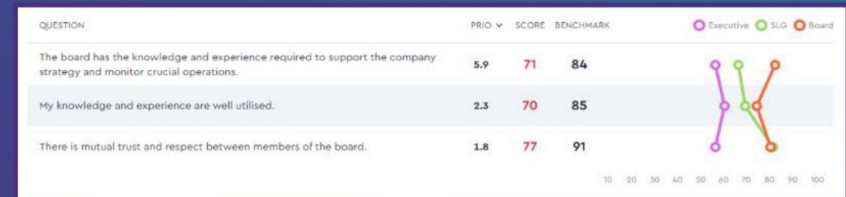
Composition, succession and evaluation - Board survey output

The below comments have been paraphrased from comments provided by Board, GE and some SLG members via the BoardClic platform. For full details refer to the BoardClic survey.

Summary of survey comments

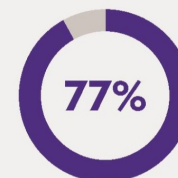
- Concerns around the lack of proper succession planning. Many point to the fact that the renewal term for the postmaster NEDs, who are some of the longest serving members of the Board, are up for renewal at the same time (summer 2024) with limited visibility expressed outside the Nom Co on how this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

- There is also the need to balance the current Board with a 'younger voice' by appointing younger individuals as non-executive directors
- Respondents held the view that being a relatively new Board, more emphasis should be laid on social time spent together to build relationships
- The voice of the postmaster NEDs is valued



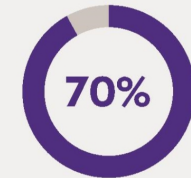
Highest total

There is mutual trust and respect between members of the board
(Benchmark 91%)



Lowest total

My knowledge and experience are well utilised
(Benchmark 85%)



Principle 3

Talent, performance and succession – Board survey output

The below comments have been paraphrased from comments provided by Board, GE and some SLG members via the BoardClic platform. For full details refer to the BoardClic survey.

Summary of survey comments

- There is acknowledgement that the Board is ultimately approved by the Shareholder which influences its composition
- Respondents remarked on the Board being largely composed of individuals from financial services backgrounds and less from areas of current POL market segments such as retail. Comments on current skills gaps include banking and digital, public sector/Whitehall experience, managing a government Shareholder and an individual who has combined commercial and government experience
- There is also the need to balance the current Board with a 'younger voice' by appointing younger individuals as non-executive directors
- There seems to be very little in the way of performance management in the business and very little done to tackle poor performance
- Respondents held the view that being a relatively new Board, more emphasis should be laid on informal time spent together to build relationships
- The input of the postmaster NEDs is valued



Highest total

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

(Benchmark 85%)



Lowest total

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

(Benchmark 66%)



Principle 3

Composition, succession and evaluation - LT survey output

The below comments have been paraphrased from comments provided by the GE and some SLG members via the BoardClic platform. For full details refer to the BoardClic survey.

Summary of survey

- It seems that there are several challenges within POL related to the composition and effectiveness of the GE. Despite the acknowledgment of the team's good intentions, there are several obstacles that hinder the collective performance:
 - Lack of cohesion and alignment among experienced individuals, leading to challenges in operating successfully as a collective team.
 - Substantial changes and turnover in GE leadership, resulting in a loss of corporate memory and stability.
 - Insufficient time for new additions to the team to integrate and for the collective competence to be rebuilt and embraced by the established GE.
 - Lack of diversity and balanced composition in terms of EDI/diversity targets, hindering diversity of thought.
 - Overall capability lacking in certain areas, such as transformation management and effective leadership, with recruitment limitations impacting this.
 - Capacity issues perceived within the GE, suggesting the need to incorporate the viewpoints and expertise of GE-1 and SMEs to function effectively as a team.
 - Suggestions to streamline the size of the GE to a few core roles to support effective collective working and solidify collective capability and competence.
 - The uncertainty generated by leadership changes, several temporary roles, and the ongoing absence of the CFO.
- Minimal accountability and ownership, combined with poor management of consequences/outcomes and performance management approach.
- Despite these challenges, there is a clear intention, drive, and desire to move POL forward and align business unit goals with a Group led strategy to generate value.
- There is a prevalent view that the GE should adopt a more comprehensive stakeholder-centric approach and skill set. This includes engaging directly with customers, postmasters, and the wider market to gain insights that can be applied to strategy and learning from both successful and unsuccessful experiences.
- Equally there is feedback that POL should focus on listening beyond the shareholder and incorporate the perspectives of various stakeholders, including front-line staff and customers.
- Additionally, there is a general consensus on the membership composition and collective competencies of the Subcommittees, with minor divergences. While the composition of these subcommittees is generally perceived to be adequate, there are suggestions to further improve their composition and collective competencies, such as:
 - Involving cross-business/function membership and occasionally including less senior members of POL who can offer greater depth of insight.
 - Reviewing the composition of certain Subcommittees, such as Retail, to ensure representation from various levels and functions within POL.
 - Bringing in additional subject matter experts where greater knowledge, understanding, and insight are needed before making decisions.
- Suggestions to address other challenges included:
 - promoting a more collaborative and customer-centric approach
 - relying on data and subject matter experts to inform decision-making
 - building trust in teams and promoting cross-organisational working, and
 - increasing communication and collaboration within the GE.
- Addressing these obstacles and fostering a more cohesive, diverse, and effective GE will be crucial for POL's future success



Appendix 6

Principle 4 – Audit, risk and internal control

Principle 4



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

- Risk Management
- Risk policies and procedures
- Risk appetite and ARC
- RCC and risk culture
- Internal audit and control environment

Risk Management, Risk Policies and procedures

- The Risk Function holds overall responsibility for overseeing the corporate approach to risk management, defining and implementing risk standards, policies, procedures, and guidance, identifying emerging risks and trends, and producing regular reports to the ARC.
- The central Risk Function of POL has undergone a transformation and has resourced appropriate skills and experience although conversation should be given to hiring a CRO to support driving a strategic risk environment.
- Previously, the Head of Risk reported to the Director of Internal Audit and Risk Management. However, recent executive changes have led to the Head of Risk now reporting to the General Counsel, aligning the risk function with compliance functions, which also report to the General Counsel. This change was made to address potential conflicts of interest with the second line of defence reporting to the third line of defines.
- While the decision to move the central Risk Function out of the remit of the Director of Internal Audit is considered appropriate, recent developments, including legal exposure and ongoing investigations, may necessitate reconsideration of the reporting into the General Counsel due to potential conflicts of interest.
- The central Risk Function should remain independent and be able to freely challenge the rest of the business, including the legal department. Therefore, it may be more appropriate for the Head of Risk to have a direct reporting line to the CEO, signalling the level of prominence and independence the risk function should carry in the current environment.
- In our view, as the central Risk Function matures, it would benefit from further enhancements to the risk documentation. Some specific refinements and updates are recommended:
 - refinement of roles and responsibilities: The roles and responsibilities of the second line of defence versus the business should be more clearly defined. Consideration should be given to identifying the executive sponsor of risk management in line with updated reporting lines
 - emphasise independent challenge: The risk management documentation should clearly feature the role of the central Risk Function as providing independent challenge to the business. Both the risk management policy and risk management guidelines should be updated to reflect this aspect
 - clarify Postmasters' role in risk management: Postmasters should be explicitly defined as having a critical role in ensuring that risks are managed, similar to the first line of defence. This should be made clear within the remit of their responsibilities and all relevant risk documentation
 - tailored reporting frequency: The frequency of reporting should vary according to the needs of stakeholders. Reporting to the ARC should align with its meetings' cadence, reporting to executive forums should be monthly, and reporting to individual group executives should occur on a weekly basis or as often as needed
 - correct terminology: The Risk Management guidelines should correctly refer to the Risk glossary as "Risk taxonomy." The term "risk taxonomy" typically refers to a system of categorizing and organizing risks, including the different types of risks that an organisation faces, as opposed to the definitions of the risk terms used within documentation.

Principle 4

Audit, risk and internal controls (continued)



Risk appetite and ARC

- POL has established risk appetite statements for each enterprise risk, supplemented by formal tolerances using the same definitions as for the risk appetite. However, it is unclear from the reviewed documentation what process was followed to establish these tolerances. Additionally, no quantitative or qualitative thresholds were adopted when setting the risk tolerances. Typically, when setting risk tolerances, we would expect that risk thresholds, which refer to the specific levels of risk that will trigger a response or action, are also established.
- Based on our review of the papers, MI, and minutes of the ARC for the period between May 2023 and November 2023, we consider the following for attention:
 - focus on risk matters: While the agendas of the ARC meetings appear quite full and cover a wide range of important business issues, it is unclear whether risk matters receive sufficient airtime and debate outside the formal reporting. We suggest ensuring that risk matters are given appropriate attention and debate during the meetings.
 - overhaul of ARC papers: We recommend a significant overhaul of the format and presentation of ARC papers to ensure that the information is shared with the committee in a more digestible and practical fashion. Specifically, we propose restructuring the papers to follow a clear and consistent format, incorporating more concise narrative text, and supporting the content with data-driven management information, such as key performance indicators and metrics. Visual aids, such as graphs, charts, and diagrams, should be included to provide a clear and comprehensive overview of the risks and controls. Consideration should be given to presenting the information in a PowerPoint format report to enhance clarity and focus.
 - regular attendees: The relatively high number of regular attendees at ARC meetings may be a result of the wide remit of the committee. While it was reported that this does not obstruct the meeting, occasional distractions were noted. As part of the next wave of governance changes, it would be beneficial to re-consider the list of regular attendees to ensure that the right balance is struck between breadth of representation and focus of discussions.
 - executive input and technical risk questions: There is a need to assess whether there is sufficient time for executives to engage in technical risk discussions and whether the current capability and skillset of the committee allow for such interactions. This assessment will help in determining if additional focus or changes are needed to facilitate more in-depth risk discussions.
 - splitting the committee: The possibility of splitting the Audit, Risk, and Compliance committee to allow for more focused discussions has been raised. While it is acknowledged that the NEDs are relatively stretched, and populating another board committee may be challenging, it is worth considering this as part of the next wave of governance changes. The current trend in the industry is for separate Audit and Risk committees
 - based on our documentation review, minutes appear to capture the key points raised in the meetings, reflecting the discussion as occurring and there is clear attribution of comments. Actions and owners are also recorded
 - we haven't been able to observe an ARC meeting; however, from what we can see in the minutes there appears to be a good level of discussion with the Chair ably facilitating the debate. We noticed that both the Chair and one of the NEDs, Elliot Jacobs, appear good challenge and ask pertinent questions
- In summary, a review of the regular attendees, consideration of the time allocated for risk discussions, and potential changes to the committee structure should be part of the next wave of governance changes to enhance the effectiveness of the ARC and align with industry best practices.

Principle 4

Audit, risk and internal controls (continued)

RCC and Risk culture

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

Points of note from survey and comments made to Grant Thornton during interviews

- Based on the findings from the survey and interviews regarding risk culture at POL, it is evident that there are significant issues that need to be addressed. We offer the following considerations to improve the risk culture within POL:
 - risk-averse culture and prominence: POL is described as very risk-averse, and there is a lack of importance attributed to risk management across all levels, including the top executive layer. This has led to a conservative risk appetite and tolerances, resulting in risks being reported outside of appetite on a continuous basis. It is crucial to address this by elevating the importance of risk management at all levels and fostering a more balanced approach to risk.
 - training and tone from the top: Substantial risk management training should be undertaken across all levels of POL, with a focus on setting the tone from the top. Top executives should give more prominence to risk management in their daily responsibilities and decision-making processes, utilizing individual risk reporting to drive informed decision-making.
 - role of the Central Risk Function: The central Risk Function should be given more prominence across the business, with leadership from the CEO to highlight the importance of risk in strategic decision-making, identifying opportunities, and optimizing the use of capital.

- alignment with strategy: Once the overall strategy is agreed upon, the risk strategy should be aligned and reflected in more appropriate risk appetite statements and risk tolerances in line with strategic objectives. A more holistic risk assessment should be undertaken to ensure that all pertinent risks are captured in the risk universe. The risk strategy should also play a central role in performance management, the appraisal process, and outlining the required behaviours.

Appendix 6 – Principle 4 – Audit, risk and internal control

Principle 4

Audit, risk and internal controls (continued)

Internal audit and control environment

- POL has established an appropriate Internal Audit framework and supporting documentation. The Internal Audit Charter has been set out to describe the main purpose of Internal Audit, how the function approaches its work and the rights and arrangements in place to provide quality assurance to the Board and the ARC
- The Charter also defines the role of the Internal Audit function, the standards and policies that apply, reporting lines, access and principles for setting up the Audit Plan. In accordance with good practice, the Director of Internal Audit has a direct reporting line to the Chair of the ARC, and we understand that they benefit from a very good working relationship
- The Internal Audit Plan is developed on a risk-basis in line with a conventional industry approach. The Director of Internal Audit and Risk submits a rolling risk-based plan for approval by the ARC, we are aware that the Plan for 2024 was just submitted for approval to ARC, although we have not seen a copy of it
- We have also observed that the Internal Audit updates to the ARC are amongst the better papers, in that they are concise, highlight clearly the key themes and findings for each audit, and utilise visuals and tables to show progress and illustrate other trends
- Based on the review of the draft Internal Controls framework and the information gathered about the internal control environment here are some key points to consider:

Internal Audit:

- Continue the good working relationship between the Director of Internal Audit and the ARC Chair.
- Ensure regular updates to the ARC on Audit Plan progress and changes to reflect evolving risk priorities.

Internal Controls Framework:

- Conduct a thorough review of the effectiveness and practical adherence to the Internal Controls framework.
- Provide relevant training to ensure that all stakeholders understand and adhere to the controls in practice.
- Accelerate efforts to ensure that the Internal Controls framework is effectively embedded across the organization.

Overall:

- Proactive steps by the ARC to better embed the Internal Controls framework and address the practical adherence to otherwise well-designed documentation.
- Ensure that the ARC is proactive in preparation for the new UK Code coming into force in 2025 and 2026. The ARC should aim to attest positively to the effectiveness of the internal controls and take necessary actions to ensure that the control environment is robust and compliant with regulatory requirements.

Principle 4

Audit, risk and internal controls (continued)



Subsidiaries

- We have seen limited evidence, based on the documentation we have seen, of alignment between POL and its subsidiaries and Postmasters, as far as risk and internal audit arrangements are concerned
- In our understanding, risk is managed separately at a franchise level, but we consider that some appropriate aggregate reporting should be brought to the attention of RCC and ARC, as required. We can see that there is some reporting from the subsidiaries into the RCC
- We are also unsure as to how the subsidiaries and Postmasters are captured by the Internal Audit plan, although we understand that the Group Internal Audit arrangements apply to all fully owned subsidiaries
- POL to consider a more consistent and effective approach to risk management and internal audit across all entities within POL to also cover in particular, Subsidiaries and Postmasters, ultimately enhancing the overall governance and control environment.

Based on the information provided, here are some key considerations for improving the alignment of risk and internal audit arrangements at POL and its subsidiaries and Postmasters:

- **Alignment of Risk Management:** Establish a consistent and effective approach to risk management across all entities within POL, including subsidiaries and Postmasters.
- **Reporting and Oversight:** Implement a more formal approach to aggregate reporting on risk management and internal audit activities across all entities to ensure comprehensive oversight by the RCC and ARC.
- **Inclusion in Internal Audit Plan:** Develop a strategy to include the subsidiaries and Postmasters in the Internal Audit plan, tailoring audit activities to the specific needs and risks of each entity.
- **Formal Governance Structure:** Establish a formal governance structure that oversees risk management and internal audit arrangements across all subsidiaries and Postmasters, with clear reporting lines and escalation procedures to ensure consistent oversight.
- **Training and Development:** Invest in training and development programs to ensure that employees in the subsidiaries and Postmasters are aware of the policies and procedures related to risk management and internal audit, equipping them with the necessary skills and knowledge to effectively manage risks.

Appendix 6 – Principle 4 – Audit, risk and internal control

Principle 4

Audit, risk and internal controls (continued) - Board survey output

The below comments have been paraphrased from comments provided by Board, GE and some SLG members via the BoardClic platform. For full details refer to the BoardClic survey.

Summary of survey comments

- Respondents opined that the current process of top-down risk should be changed to allow individual business units to own their own risk and present these to the Audit and Risk Committee
- Concerns that POL is operating outside of risk appetite in c.8 areas for the next 24 months which is unsustainable. There is a question as to whether risk appetite is set properly and whether the Board and Executive are aligned on the consequences
- Though the Audit and Risk Committee reporting has evolved and improved with new leadership, there is still a need for more frequent reporting on data and insights about branch profitability, network sustainability, and potential risks
- Respondents highlighted that the Board is risk averse amid the public enquiry and lack of adequate funding to address risks outside of appetite, resulting in the crystallisation of certain risks and the continued non-mitigation of others

Summary of survey comments (continued)

- On that point it is view the restrictive risk profile whilst comprehensive is a barrier to delivery rather than a key management tool
- There is a lack of visibility of the Audit and Risk Committee for Board members who do not sit on the committee.
- There should be a mechanism for reporting/escalating risks during gaps in Board meetings
- Is there a 1st, 2nd and 3rd line of defence – not in the way most commercial organisations understand it

Key priorities to focus on:

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



Highest total

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

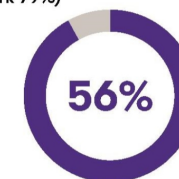
(Benchmark 83%)



Lowest total

Investments are given appropriate and robust review

(Benchmark 79%)



Principle 4

Audit, risk and internal controls (continued) – LT survey output



Summary of survey comments

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

Appendix 7

Principle 5 – Remuneration

Principle 5



In this section, we explore the findings on governance aspects related to:

- Clarity of roles and responsibilities incl. shareholder relationship and incentive approach
- Remuneration governance and strategy
- Scheme clarity
- Creating capacity at Committee and in the People function
- Remuneration Committee dynamics

The below is a summary of observations and recommendations taken from our draft Remuneration Report dated 1 December 2023.

Overview

- The lack of clarity and concerns around responsibilities and information accuracy has raised the cost of decision making at Rem Co, diminishing genuine accountability and effectiveness within the Committee and the governance hierarchy. This situation is further affected by the public profile of POL which continues to negatively impact trust and transparency within the culture.
- POL is taking steps to address this by rebuilding trust among stakeholders through governance policy and procedure improvements as outlined in the Simmons and Simmons report.
- Reviewing the historical minutes it seems the focus is predominantly on historical rewards schemes, limiting Rem Co's ability to consider the wider aspects of its ToR. It would seem that significant time has been required on design given the lack of clear longer-term strategy. As such parties must consider, as they look to improve ways of working at Rem Co whether the use of LTIPs in the current environment is beneficial
- Governance (specifically accountability) around reward design and decision making between enterprise and Rem Co and Rem Co and Shareholder needs clarification
- Rem Co meeting dynamics need attention
- CPO is taking the lead in developing and reporting on the remuneration strategy (including incentive schemes) - as opposed to other senior executive members. This should continue to ensure accountability, transparency, objectivity and consistency in process
- Rem Co to consider the benefits of engaging with internal audit to assure the incentive plans are not inadvertently pushing the wrong outcomes and they are not having an adverse effect on the culture. Equally it may be worth also considering its views on the effectiveness of the work associated with the Review Report recommendations. This approach will support the expansion of corporate memory around remuneration schemes and promote accountability.
- The current 2025 strategy does not have Group metrics against its key pillars. Any future strategic development should consider this as it would provide a useful guide to Rem Co on ambition when developing and agreeing LTIPS in particular. The appropriateness of LTIPS in the absence of this document should be debated

Key observations

- Roles and responsibilities between Rem Co stakeholders require clarification
- The overall remuneration philosophy needs to be simplified and agreed with the Shareholder
- Capacity needs to be created to enable more forward-looking discussion and deliver of the wider ToR remit

Principle 5

Remuneration (continued)



Clarity of roles & responsibilities

- Historically, the UKGI NED has played a significant role at Rem Co in shaping and influencing the design of the reward schemes. Whilst done in the spirit of bolstering capability at POL it has in fact increased the complexity of the scheme, blurred the lines of accountability and increased the level of noise at and around Rem Co. It has also created uncertainty around Rem Co's overall role and accountability in terms of what it is there to proactively shape and recommend and where Shareholder guidance is required.
- It is envisaged in the Articles and Shareholder Agreement the structure of the incentive schemes should initially be the preserve of Rem Co ahead of taking to Board for approval then onto the Shareholder however, it is hard to follow this through the review of minutes.
- From the description in the Shareholder Agreement, we are not convinced that the Shareholder Representative role is clear. The Shareholder Agreement outlines the role of the Shareholder Representative, but this description is drafted from the viewpoint of UKGI's 'representative director' whose role 'supports and supplements' the role of UKGI. There is minimal acknowledgement the role is covered by the same legal fiduciary responsibilities as any other NEDs, and therefore is expected to promote the success of the company first and foremost. The Shareholder Representative appointment letter and the UKGI's opening statement to the Inquiry provide this clarity, which is lacking in the Shareholder Agreement.
- As part of any reset with the Shareholder, reflect and debate the Code provision which notes all members should be independent at Rem Co [Provision 32, P]. Whilst there may be limited ability to change the current composition construct

consideration to be given to the optics and ways of working with mitigating actions captured to address potential independence challenge from a wider stakeholder lens – consider the conflicts of interest policy alongside the agenda and/or gaining clarity around the accountability for design and decision between the business, Rem Co/Board and Shareholder (and its UKGI representative)

- There needs to emerge a clear understanding of individual roles in the achievement of strategy and accountability in that regard across the organisation and this needs to be supported by reward

Team process

- Given the historic issues with reporting and MI, the people function, in terms of capability and capacity, needs review in the context of the governance design and strategic priorities to ensure envisaged changes can be delivered in a timely and sustainable manner
- We attended the Remuneration Committee meeting held on 28 November 2023. Key points of note:
 - the agenda felt relatively packed with several items to be approved and discussed. A couple of items were postponed for a following meeting due to time constraints.
 - overall, the discussion was dominated by a debate on the objectives for the CEO and the incentive plans
 - we observed a very robust debate in relation to the objectives of the CEO, with the Chair of the Board and the Shareholder Representative expressing some very strong views
 - similarly, the LTIPs and STIPs, and future plans in relation to their use, were subject to a comprehensive discussion
 - we could see that the new Chair of the Remuneration Committee is keen to implement more longer-term approach when it comes to the incentive plans. We consider this positive.

Appendix 8

List of interviews conducted

Appendix 08 – List of interviews conducted

Interviewees

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

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

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

Appendix 9

List of documents reviewed

Appendix 09 – List of documents reviewed

List of documents reviewed

Governance Framework and Foundation documents

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

Governance committees' structures

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

Board and board committees ToRs

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

Terms of reference for sub-committees and working groups

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

Appendix 09 – List of documents reviewed

List of documents reviewed (continued)

Delegation of responsibilities

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

Remuneration Committee papers and minutes

- POL Rem Co Agenda & Papers 20220927 FINAL.pdf
- POL Rem Co Agenda & Papers 20221206 FINAL.pdf
- POL Rem Co Agenda & Papers 20230301 FINAL.pdf
- POL Rem Co Agenda & Papers 20230502 FINAL.pdf
- POL Rem Co Agenda & Papers 20230511 FINAL Redacted.pdf
- POL Rem Co Agenda & Papers 20230703 FINAL Redacted.pdf
- POL Rem Co Agenda & Papers 20230926 FINAL Redacted.pdf
- 20231106 POL Rem Co Additional MIN Signed
- 20231128 POL Rem Co MIN v5 DRAFT
- 202305.pptx
- 20231218 Rem Co Mins DRAFT to Rem Co
- 20220927 POL Rem Co MIN Signed.pdf
- 20221110 POL Rem Co Additional MIN Signed.pdf

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

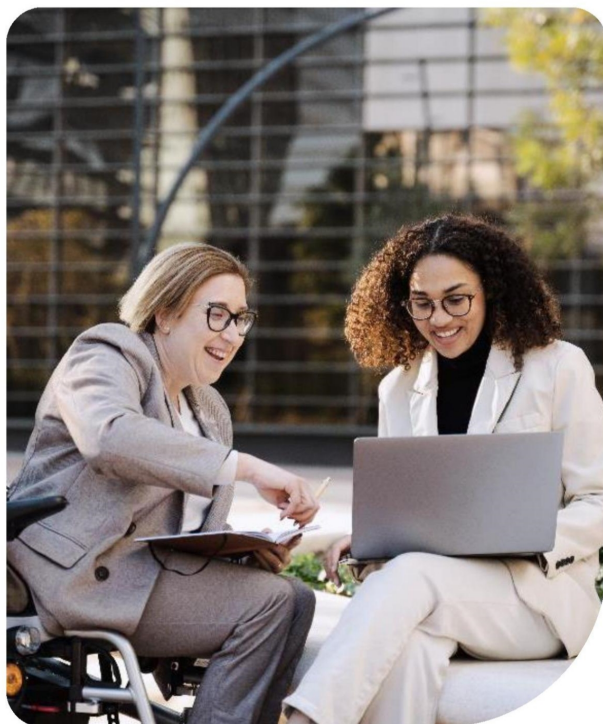
Nominations Committee papers and minutes

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



Appendix 09 – List of documents reviewed

List of documents reviewed (continued)



Audit and Risk Committee papers and minutes

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

- 20230710 POL ARC MIN SIGNED.pdf
- 20230724 POL ARC MIN SIGNED (1).pdf
- 20230724 POL ARC MIN SIGNED.pdf
- 20230925 POL ARC MIN SIGNED.pdf
- 20231107 POL ARC MIN SIGNED.pdf

Board Papers and minutes

- POL Board Agenda & Papers 20220927 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20221101 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20221206 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20230124 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20230309 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20230328 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20230524 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20230606 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20230711612 FINAL!.pdf
- POL Board Agenda & Papers 20230711 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20230817 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20230926 FINAL! Redacted.pdf
- POL Board Agenda & Papers 20230926 FINAL! Redacted.pdf

Appendix 09 – List of documents reviewed

List of documents reviewed (continued)

Group Executive meetings papers and minutes

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

- 20230315 POL GE MIN FINAL – No redactions required.pdf
- 20230419 POL GE MIN FINAL Redacted1.pdf
- 20230517 POL GE MIN FINAL – No redactions required.pdf

Board papers and minutes (continued)

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

Strategy and supporting business plans

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



Appendix 09 – List of documents reviewed

List of documents reviewed (continued)

Skills Assessment

- NED Committee Membership Skills Matrix 20230821 v2.docx
- Past/Ongoing Reviews
- 07.00 POL Board Ethos Programme 20230926 FINAL.docx
- App 9 Post Office Limited Internal Audit EQA – Final Report 06.05.22.pdf
- 11.01.00 POL Board Annual Governance Report 20230328 FINAL (2).docx
- amanda-burton-report-review-of-the-transformation-incentive-scheme.pdf
- 11.01.00 POL Board Annual Governance Report 20230328 FINAL (2).docx
- 2022 EDI Survey Results and Insights v0.04 for publishing – PDF.pdf
- ARC Committee Evaluation Report 2022-23.docx
- POL Board Evaluation Report 2022-23.docx
- Nom Co Evaluation Report 2022-23.docx
- Rem Co Committee Evaluation Report 2022-23.docx
- Legally privileged confidential – Phase 7 narratives – 081222 – draft.docx
- App 9 Post Office Limited Internal Audit EQA - Final Report 06.05.22.pdf
- Remediation Committee (FKA Historical Remediation Committee)
- 07.00 POL Board Ethos Programme 20230926 FINAL.doc

review-of-the-governance-relevant-to-post-office-limiteds-senior-executive-remuneration.pdf

- 280923 – SS and A Burton Report Recommendations Plan September 2023.pdf

Terms of reference for sub-committees and working groups

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

Risk management

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



Appendix 09 – List of documents reviewed

List of documents reviewed (continued)

Previous Board effectiveness reviews

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

Role profiles

- 05_POL Board Members & Executives.docx

Registers of attendance at board and committee meetings

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

Board induction

- Board induction materials and succession plans

Conflict of interest

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

Assurance framework

- POL ARC POL Control Framework 20220926 FINAL AM DO NOT EDIT.docx
- Integrated Assurance GE Submission 5 July 2023.docx
- 20230322Policy-Exception-Note--PEN--FormFinalv1.0.docx
- 20231010Policy-Exception-ProcessHow-To-Guidev1.0.pdf
- 2023-Commercial-Risk-Appetite-Statements-and-Tolerance-Levels.pdf
- 2023-Governance-Risk-Appetite-Statements-and-Tolerance-Levels.pdf
- 2023-People-Risk-Appetite-Statements-and-Tolerancev1.pdf
- PO Harm Table Ver Mar 22 FINAL.pdf
- central risk team slide pack
- 20231206 PO Enterprise and Intermediate Risks and Mitigations.xlsx

Internal Audit Charter and Plans

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

External Audit management letter

- POL Management Representation Letter FY2021-22SIGNED.pdf

Corporate governance policies and procedures

- 2022- 2023 Modern Slavery Statement - Approved.pdf
- 20221031 Group Risk Management Policyv1.4.pdf
- 2023 Contract Execution PolicyCLEAN.docx
- ABC Policy v8.0 July 2023.pdf

Appendix 09 – List of documents reviewed

List of documents reviewed (continued)

- AML CTF Policy v10.0 July 2023.pdf
- Business Change Management Policy v2.4 2023.pdf
- Business Continuity Management Policy (002).pdf
- Conflicts of Interest Policy March 23.pdf
- Cyber and Information Security Policy 3.1 2023.pdf
- Document Retention and Disposal Policy v2.0 Clean.pdf
- Financial Crime Policy v8.0 July 2023.pdf
- FOIEIR Policy v3.1 2023.pdf
- Group Legal Policy .pdf
- Health and Safety Policy V8. 2023.pdf
- HMRC Fit and Proper Policy Standard v5.0.pdf
- Law enforcement policy v1.0 Sept 21.pdf
- Our Code of Business Conduct.pdf
- Physical Security Policy v3.0.pdf
- Remuneration Policy for the Executive Directors.msg
- POL Pay Directive 07 2023 Senior Managers.pdf
- POL Pay Directive 06 2023 Middle ManagersFinal.pdf
- POL Pay Directive 04 2023 CWU Grades Final v2.pdf
- PO Group Contract Execution Policy Quick Reference Guide August 2023 CLEAN.docx
- PP1 Procurement Policy V24.6.pdf
- Protecting Personal Data Policy v4.1 2023.pdf
- Speak Up Policy v.8 May 2023.pdf

- Treasury Policy V0.2 2023.pdf
- Treasury Policy DA Matrix August 2023.pdf
- Vulnerable Customer Policy V3.3 Sept 22.pdf
- First Draft HM Governance Paper Incomplete work product (as sent to POL on 3 April 2023(79793441.1).docx

Postmaster Policies

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

Culture documentation

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

Stakeholder list

- Communications Master Stakeholder List.xlsx

Board rolling agenda and governance map

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

Board rolling agenda and governance map

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

Appendix 10

Glossary

Appendix 10 – Glossary

Glossary

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

Abbreviations	Full version
LSD	Learning & Development
LTIP	Long-Term Incentive Plan
NED/INED	Non-Executive Director/Independent Non-Executive Director
SID	Senior Independent Director
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPO	Chief People Officer
CIO	Chief Information Officer
COO	Chief Operations Officer
CRO	Chief Risk Officer
CTO	Chief Transformation Officer
GE	General Executive
SEG	Strategic Executive Group
LT	Leadership Team
ARC	Audit and Risk and Compliance Committee
Rem Co	Remuneration Committee
Nom Co	Nomination Committee
Sub Co	GE Subcommittees including Risk & Compliance Committee (RCC), Investment Approvals & Delivery Group (IADG), Retail Committee, Improvement Delivery Group (IDG), and Health & Safety Board (HSB)
FY	Financial Year
WTW	Willis Towers Watson



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