



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

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

1. WELCOME AND CONFLICTS OF INTEREST

A quorum being present, the Chairman opened the meeting.

The Directors declared that they had no conflicts of interest in the matters to be considered at the meeting in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.

2. RE-APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The Board **APPROVED**:

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

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

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

4. CEO REPORT

4.1

4.2

Irrelevant

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Irrelevant

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

5. **FINANCE**

5.1 **Financial Performance Report**

Irrelevant

had been the first year we had included depreciation figures in the budget

- higher staff costs had been driven largely by contractor costs on three projects that had not been budgeted for
- we had underspent the growth fund. Our hypothesis for the last two years had been that we are underspending on marketing and that the growth fund would bring the marketing ideas to life. This had not proved to be the case and Emma Springham, the Chief Marketing Officer, had been asked to force rank all marketing spend requests, including those for Bol. We were attracting people to the PO website but our conversation rates were insufficient and we were considering spending more on marketing in this area

Irrelevant

A number of points were raised, including:

- that there was a strong argument for investing more in marketing and getting a good return on this. This was an important strategic issue and the Board should have an in-depth discussion on the marketing strategy at the most appropriate point during the year
- it would be helpful to have more commentary on the growth fund. It was reported that we would not have a growth fund for the next financial year but would be investing more in the brand fund over the next few weeks

Executive



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- that as we had discovered that **Irrelevant** had been engaged on work for RM we should take a view on the risks of this, obtain confirmation that they were using completely different teams, and consider whether the **Irrelevant** team should be stood down To do: AC to raise with MS
- Irrelevant**
- network strategy and capability would be critical and we needed to understand how agile our network would be and have clarity on our network strategy over the next couple of years. We would be managing a franchise and the success of this would determine the long-term sustainability of the business. We needed a fundamentally strong mails business and a robust model To do: AC
- it was requested that information on cash declarations be added back into the report. It was reported that the levels were steady at around 90% To do: AC
- that it would be helpful to include commentary on the Payzone Bills Payment acquisition VB to add to forward agenda.
- it would be helpful to understand what one or two other POs or retailers were doing to make their network operations agile and drawing on technology to keep costs low. It was reported that this formed part of the **Irrelevant** work
- that an interim update on Identity would be brought to the Board.

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

5.2 Budget Update 2019/20

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

- that we had included assumed trading profits for 2019/20
- a conversation would be needed on tightening the range of profits that were included in bonus calculations
- major changes were reflected in the changed assumptions on trading profits but not minor RALL issues which we expected to work within **Irrelevant**
- Irrelevant**
- we thought we should have a cost target
- senior leadership capabilities had improved but capacity remained an issue.

A number of points raised, including:

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

5.3 UKGI Quarterly Report

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

- that less had been spent than forecast in Q3
- a number of material projects were not delivering the benefits we anticipated at the time we had anticipated. This included Project Everest through which we were changing some of our committed spend with Fujitsu from opex to capex and the rollout of new printer cartridges to branches. The latter had been designed to reduce costs and generate fewer calls while the opposite had been true because a message was being received that the cartridge was empty when it was not



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- significant spend was associated with DMB franchising process. The benefits from this programme were flowing through but it continued to draw some public criticism
- that we did not include a contingency fund
- BEIS would be focussed on the £445m spend over the three year period. This was a cash flow forecast. It did not include some non-cash spend, the costs associated with the Postmaster litigation spend¹ and £26m that had not been spent from last year's budget. The £445m had been forecast based on what we thought we could invest in change without borrowing. That figure would be higher now because of higher trading profits.

IRRELEVANT

A number of points raised, including:

- whether there had been challenges to test that the money could be spent during the quarter, to prioritise the requests and to make sure that the benefits were going to flow through? It was reported that this testing process took place at the Investment Committee
- whether the BEIS finance team were more comfortable with the reporting now being provided? It was reported that this was the case but that we had yet to work through the change prioritisation plan. AC noted that further work was needed on investable growth projects for next year.

Irrelevant

Irrelevant

The Board:

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

6.

6.1

Irrelevant

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



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Irrelevant

6.2



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Irrelevant

7.
7.1

Irrelevant

7.2



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8.
8.1

Irrelevant

Irrelevant



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8.2

Irrelevant

8.3



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Irrelevant

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

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

The team was congratulated on their persistence through lengthy negotiations.

9.

9.1

9.2

Irrelevant

9.3



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10.

10.1

Irrelevant

10.2

11.

11.1

11.2



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Irrelevant

11.3 The Board **RESOLVED** to:

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

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

12. **POSTMASTER LITIGATION (VERBAL)**

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

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

13.

13.1

IRRELEVANT

IRRELEVANT We were planning to talk to Fujitsu next about how we could re-orchestrate the Horizon system.

IRRELEVANT

IRRELEVANT Fujitsu were receptive to working as we wanted to and to making changes. The scope of Fujitsu's work had been contained to re-hosting which limited opportunities but also reduced risks and we would acquire benefits as we moved to the cloud.

13.2

IRRELEVANT

14. **ITEMS FOR NOTING**

14.1 **Sealings**

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

14.2 **Irrelevant**



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Irrelevant

14.3 **Future Meeting Dates**

The future meeting dates were **NOTED**.

14.4 **Forward Agenda**

The forward agenda was **NOTED**.

15.

15.1

Irrelevant

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

The meeting closed at 3.00 pm.

GRO

Chairman

02/07/2019

Date