



## POST OFFICE LIMITED BOARD REPORT

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| <b>Title:</b>  | Board Evaluation Report 2022/23                   | <b>Meeting Date:</b> | 28 <sup>th</sup> March 2023   |
| <b>Author:</b> | Cordelia Hagan, Company Secretariat Administrator | <b>Sponsor:</b>      | Rachel Scarrabelotti, Company Secretary & Ben Tidswell, Senior Independent Director |

### Input Sought: Discussion/Decision

The Board is asked to:

- **NOTE** and **DISCUSS** the Board Evaluation results for 2022/23 (please see **Appendix 1**). The Committees will consider their reports and proposed actions at their next scheduled meetings.
- **APPROVE** the recommended actions to address points raised and areas which may require development.

### ***Points raised/ areas for development:***

1. There were a number of comments in respect of how Board Agendas could be shaped, including requests for more time to be allocated in Board meetings to discuss strategy, trading performance and the long-term sustainability of the business, as well as ensuring sufficient focus on the Mails business, Retail, and the overall commercial calendar of the business. It was felt that adequate discussion of these matters had been affected by the time spent on funding issues and historical matters;
2. The relationship between the Group Executive (GE) and the Board needs to be strengthened, and priorities aligned. There was concern about insufficient information flows between the two groups;
3. The Board needs time to review and reflect on its past decisions and customers' views need to be considered further when the Board is making decisions.
4. The Board would like clarity on the shareholder representative's role on the Board.

### ***Recommendations:***

1. Time on the Agenda be periodically and specifically allocated for strategy discussion and trading performance updates;
2. Sessions on different business areas and functions (e.g., Mails, Retail, Banking, Marketing, IT, Insurance, Logistics) between the Non-Executive Directors and members of the GE/Senior Leadership Group (SLG) be set up outside of Board meetings to provide the NEDs with more opportunities to learn about the strengths and challenges of the various business areas;
3. In order to help strengthen the relationship between the Non-Executive Directors and the GE/SLG, the Chair, the Senior Independent Director, and other Non-Executive Directors could consider addressing the SLG at SLG meetings periodically, and attending colleague events where appropriate.



4. The role of the shareholder representative should be clearly set out in writing.

## Executive Summary

The 2018 UK Corporate Governance Code and the Corporate Governance Code for Central Government Departments<sup>1</sup> both stipulate that there should be an annual evaluation of the Board and its Committees which should be externally facilitated at least once every three years.

The Board questionnaire for 2022/23 mirrored that for 2021/22 to allow comparison across years.

The Board Directors and Ben Foat, Group General Counsel, Tim McInnes, Strategy and Transformation Director, and Zdravko Mladenov, Group Chief Digital Information Officer, who have been regular attendees at Board meetings, were invited to participate in the Board Evaluation which they did. The questions, average scores and a summary of the findings are at contained in Appendix 1, contained in the Reading Room.

## Questions addressed

1. How have we implemented the actions from last year's Board evaluation?
2. What are the findings from the Board Evaluation 2022/23?

## Report

### 3. Actions from the Board Evaluation 2021/22

- A target be set to reduce the average Board pack to 180 pages over the year. The average Board pack for the scheduled meetings was 247 pages, ranging from 173 pages to 343 pages, before adding Reading Room materials. Board Intelligence research has suggested that board directors typically spend around 4 hours preparing for a board meeting, which with an average reading speed of 30 pages an hour would allow for a pack of c120 pages.

*As noted in the Board evaluation progress report for the Board meeting on 24<sup>th</sup> January 2023, the Interim Chair at the time, Ben Tidswell took feedback from Board colleagues and worked with the Company Secretary to refine the Board paper template and to redraft the guidance for management in relation to the preparation of Board papers, including a tighter restriction on the length and form of Board papers. Nevertheless, there is still room for improvement in making sure that Board papers are concise and that the recommendations in Board papers are clearer*

- Sessions on different business areas (e.g., Mails, Banking, Digital Identity, IT, Insurance, Logistics) could be set up outside of Board meetings to ensure the areas

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<sup>1</sup> Provision 21 of the UK Corporate Governance Code 2018 and paragraph 4.12 of the Corporate Governance Code for Central Government Departments.





the Board wants to focus more time on are not missed because of pressure on agenda time.

*No sessions were formally arranged.*

- One respondent suggested that each of the directors nominates a previous decision for discussion at the Board during 2022/23.

*Whilst this was not scheduled formally, there was reflection on previous decisions taken, for example, in relation to Belfast Exit.*

- One respondent suggested that the content of the July Strategy sessions be discussed by the Board at a meeting earlier in the year.

*As noted in the Board evaluation progress report for the Board meeting on 24<sup>th</sup> January 2023, the proposed content of the July 2022 Strategy sessions were not discussed at a meeting earlier in the year however the content was discussed and considered by the Board at the Board Meeting the day immediately prior to the July Strategy Day.*

#### 4. Findings 2022/23

All sections in the questionnaire<sup>2</sup> overall achieved an average score higher than 3 ("good/at the required standard"). Nevertheless, a number of individual questions had average scores of below 3 (2 = "requires development").

The highest scoring questions were:

|              |   |     |
|--------------|---|-----|
| Q26.<br>iii. | How would you assess the Board's approach to considering the following stakeholder needs/views when taking decisions:<br>Special Shareholder                  | 4.2 |
| Q26.<br>vi.  | Regulators  | 3.8 |
| Q2.<br>ii.   | How would you rate the Board's understanding of the following areas of the Business and areas of business transformation:<br>Financial Services and Insurance | 3.8 |
| Q2.<br>iv.   | Risk  |     |
| Q2.<br>vii.  | Compliance  |     |
| Q12.         | To what extent do NEDs get involved in issues outside the Boardroom?  | 3.8 |

The lowest scoring questions were:

|     |  |     |
|-----|--|-----|
| Q9. | To what extent does the Board review past decisions? | 2.3 |
|-----|--|-----|

<sup>2</sup> A. Skills, experience, diversity, knowledge B. Leadership, ways of working, time management C. Decision-making and risk D. Specific Questions for NEDs, EDs and UKGI representative E. Information and support F. Stakeholder engagement

|            |  |     |
|------------|--|-----|
| Q26.<br>i. | How would you assess the Board's approach to considering the following stakeholder needs/ views when taking decisions:<br>Customers  | 2.3 |
| Q10.       | How seriously does the Board take the development of individual directors and the Board as a whole, and where it needs to improve?   | 2.5 |
| Q4.<br>b.  | How effective are the relationships between:<br>Non-Executive Board Members and Management (in providing both support and challenge) | 2.8 |
| Q15.       | The level of insight provided by the UKGI representative into the strategic direction that the Shareholder aspires to                | 2.8 |
| Q18.       | How would you rate the quality of papers and presentations received by the Board?  | 2.8 |

### 5. How do last year's responses and this year's compare?

The average score for each section has either slightly declined or remained the same as compared to last year.

The recurring theme from this year's Board evaluation and last year's results is that there is not enough focus and time in Board meetings to discuss strategy and the future of the business. Another recurring theme is that there needs to be greater clarity on the Shareholder Representative's role on the Board. Additionally, that the Board does not adequately review its past decisions was also highlighted in last year's evaluation.

Furthermore, the average score on the Board's approach to considering customers' views has declined from 2.7 last year to 2.3 this year.

### Next Steps & Timelines

1. The Audit Risk and Compliance Committee, Nominations Committee, Remuneration Committee, and the Historical Remediation Committee will be asked to consider their evaluation reports at their next scheduled meetings.
2. The Nominations Committee will be asked to review progress with the implementation of the actions agreed from the Board Evaluation 2022/23 at its meeting on 26<sup>th</sup> September 2023.



## Appendix 1

Key:

|               |               |                                |                          |                                      |
|---------------|---------------|--------------------------------|--------------------------|--------------------------------------|
| 5 = Excellent | 4 = Very good | 3 = good/ at required standard | 2 = Requires development | 1 = Requires significant development |
|---------------|---------------|--------------------------------|--------------------------|--------------------------------------|

### Board Evaluation Questionnaire 2022/23

|           | Question   | 2021/22<br>Average | 2022/23<br>Average |
|-----------|--|--------------------|--------------------|
| <b>A.</b> | <b>Skills, experience, diversity, knowledge</b>  |                    |                    |
| 1.        | How appropriate is the composition of the Board for the requirements of the business?  | 3.8                | 3.3                |
| 2.        | How would you rate the Board's understanding of the following areas of the Business and areas of business transformation:  |                    |                    |
| i         | Retail   | 3.4                | 3.0                |
| ii        | Financial Services and Insurance   | 3.5                | 3.8                |
| iii       | Technology strategy, new systems development and cyber security  | 3.2                | 3.5                |
| iv        | Risk   | 3.9                | 3.8                |
| v         | Banking Framework  | 3.7                | 3.4                |
| vi        | Digital Identity   | 2.7                | 3.0                |
| vii       | Compliance   | 3.8                | 3.8                |
| viii      | Corporate Governance requirements (including the increased focus on diversity and stakeholder reporting)   | 4.0                | 3.7                |
| ix        | Aligning all of the above into the work on Purpose, Strategy and Growth  | 3.5                | 3.4                |
|           | <b>Average for section =</b>   | <b>3.6</b>         | <b>3.5</b>         |
|           | <b>Additional Comments:</b> <ul style="list-style-type: none"> <li>Interesting that Mails - which is half of the business turnover - isn't raised at all in the questions above whereas banking, insurance and digital identity is! We spend very little time as a Board talking about "retail" - the commercial calendar of the business, the marketing campaigns, the variance in profit performance of our different formats and within the same format. The Board very rarely contributes, or is asked to contribute, to anything outside of Horizon and Horizon replacement, historic matters and the Inquiry, Belfast and the Horizon replacement.</li> <li>Lots of great skills and experience across the Board, the biggest dilemma is getting to hear from everyone.</li> <li>Over the last 18 months the board has largely focussed on historical issues and I feel we have not addressed the rapid decline in the Mails market early enough. This was compounded by not having sufficiently strong people in the executive. The board needs to grasp this nettle soon and to be firm about giving strategic direction and expecting the executive to get the right expertise on the GE.</li> <li>Given the number of changes anticipated in the Board membership, experience in FS and risk/ governance will need to be replaced.</li> <li>I don't feel we are on top of the mails business.</li> <li>Any significant decision is subject to shareholder approval, so the board's role is ambiguous at best.</li> <li>The Board is in state of transition and will be unbalanced until there are several new appointments of experienced NEDs.</li> <li>There is insufficient understanding of the cost to serve at the front line and the impact of multi-years without suitable pay.</li> </ul> |                    |                    |



|           |  |            |            |
|-----------|--|------------|------------|
|           | <ul style="list-style-type: none"> <li>The current composition of the Board is excellent but there is a concern with 3 outstanding female NEDs due to leave later this year. All 3 provide outstanding support in different ways. We need to ensure that the board and the GE has diverse representation of views and skill sets.</li> </ul>   |            |            |
| <b>B.</b> | <b>Leadership, ways of working, time management</b>  |            |            |
| 3.        | How effective is the Board at focussing on the right issues (e.g. gaining an appropriate level of assurance on how strategy is being implemented and the business is being run, setting strategy, providing support and challenge to management).  | 3.0        | 2.9        |
| 4.        | How effective are the relationships between:   |            |            |
|           | a. Board Members   | 3.7        | 3.7        |
|           | b. Non-Executive Board Members and Management (in providing both support and challenge)  | 3.6        | 2.8        |
|           | <b>Average for section =</b>   | <b>3.7</b> | <b>3.1</b> |
|           | <b>Additional Comments:</b> <ul style="list-style-type: none"> <li>I don't think I have ever been approached by Management to talk about Mails. I have always had to make the attempt to contact management to find out what they are doing and to offer advice. A significant amount of the Board agenda is looking in the rear view mirror at what has happened and what we are doing to address it rather than on strategy. I haven't had any form of presentation on the Banking strategy, the Insurance strategy etc since I joined the Board.</li> <li>Robust &amp; constructive relationships across and between the Board members. Some big personalities can dominate.</li> <li>The Board to Management relationship is still troubled with gaps in mentoring, trust and transparency of information flow. I would expect management would also feel that the value add vs micro management can be frustrating.</li> <li>With the difficult funding round where POL's funding was cut severely the board necessarily focussed on re-prioritising spending and started to lose sight of actual trading performance. This was brought up at the 2021 board evaluation but was not addressed with sufficient rigour.</li> <li>Not enough time is spent focusing on strategic issues. Too much time is spent rubber stamping or dealing with problems which aren't board issues.</li> <li>There is a sense that management are frustrated by NED's overstepping their roles and becoming too operational.</li> <li>I feel there is still a lot of work to do with the GE and the board. There has been many instances when board members have not been made aware of decisions made by the GE. The board papers are getting better but still require further development.</li> <li>There is insufficient speed of action and execution of plans and/or circling back on performance. There is a lack of transparency on activity and actions undertaken in the name of the board which does not always mirror the expectations set.</li> <li>Some NEDs are industry leading and outstanding in the way that they support and challenge management in the right way recognising the context and reality in which POL operates and finds itself currently. Ben, Carla and Zarin in particular... it is always helpful to hear the PM NED experience as well and to ensure that our decisions are PM centric.</li> </ul> |            |            |
| <b>C.</b> | <b>Decision-making and Risk</b>  |            |            |
| 5.        | How would you assess the Board's consideration of risk when taking strategic and operational decisions?  | 3.5        | 3.6        |
| 6.        | How strong is the Board's understanding of the business' competitors?  | 2.5        | 2.9        |

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| 7.   | How strong is the Board's understanding of the business' performance drivers?  | 3.2              | 3.5        |
| 8.   | How effective is the <u>process</u> of board decision making?  | 3.3              | 2.9        |
| 9.   | To what extent does the Board review past decisions?   | 2.9<br>(1 = N/A) | 2.3        |
| 10.  | How seriously does the Board take the development of individual directors and the Board as a whole, and where it needs to improve? | 2.8<br>(2 = N/A) | 2.5        |
| <b>Average for section =</b>   |  | <b>3.0</b>       | <b>3.0</b> |
| <b>Additional Comments:</b> <ul style="list-style-type: none"> <li>• I think the Board is risk adverse, but then again is that unexpected in a state owned enterprise. I don't believe that we are good at reviewing past decisions and following up with regard to success or failure arising from these decisions (other than Horizon of course where every action and nuance is considered). I do think the Board is fairly strong in its understanding of the banking competition but is short on general retail understanding and of mails in particular.</li> <li>• Some big characters and personalities can dominate, this could be an active watch point for the new Chair.</li> <li>• The board was tired and constantly distracted by historical issues, short term crises management and funding issues with BEIS led by a Chair who was soon to retire. These are well known issues and I strongly believe the board needs to be brought together as a team and rediscover it's purpose and how it both supports the executive and challenges performance properly.</li> <li>• The agenda is crowded and there are important decisions at most meetings - leaving little time for in depth retrospectives on past decisions</li> <li>• It would be good to spend more time on the mails business, the wider marketplace and retail issues generally.</li> <li>• There are too many issues which are compliance based or historical looking, which distort board discussions and lead to insufficient time spent on key items.</li> <li>• I don't feel that the board members are being educated about the business, we are being educated about problems which are largely historically based or relate to the funding issues.</li> <li>• The board's decision making is based on the information provided however, on occasions unfortunately the best data isn't presented which hinders progress. The relationship between NED's is brilliant with the senior NED's being available for guidance when needed.</li> <li>• There is a lack of accountability and it feels that things that are said are then rowed back on.</li> </ul> |  |                  |            |
| <b>D.</b>  | <b>Specific Questions for Non-Executive Directors, Executive Directors and UKGI Representative</b>                                 |                  |            |
| 11.  | The quality and value of NEDs' contributions at board meetings?  | 3.8              | 3.7        |
| 12.  | To what extent do NEDs get involved in issues outside the Boardroom?   | 3.6              | 3.8        |
| 13.  | How effective are the EDs in assisting the Board's understanding of the business issues?   | 3.6              | 3.3        |
| 14.  | To what extent do the EDs act in a collegiate manner with the overall interests of the business in mind?                           | 3.6              | 3.7        |
| 15.  | The level of insight provided by the UKGI representative into the strategic direction that the Shareholder aspires to.             | 2.9<br>(1 = N/A) | 2.8        |





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|-----------|--|------------------------------|--------------------|
| 16.       | The level of engagement and contribution made by the UKGI representative.  | 3.5<br>(1 = N/A)             | 3.3                |
|           | <b>Average for section =</b>   | <b>3.5</b>                   | <b>3.4</b>         |
|           | <b>Additional Comments:</b> <ul style="list-style-type: none"> <li>At times it feels that the UKGI representative acts as a filter on messages that the Board wish to be given to BEIS, something which at times is unhelpful, particularly around the funding issues and the implications of reduced funding on the business continuity. Additionally the roles of UKGI and Chair seem to overlap and to act against each other at times. If the Chair and the Board aren't responsible then why bother with them?</li> <li>The information flow from EDs could be more open and transparent.</li> <li>I believe we need clarity on the role of UKGI representative - they are on the board as a director but they also have a separate hat on to assess the businesses performance for the shareholder and in that they can and should be both critical and challenging. But as a director they have a wider responsibility to drive strategic value and provide direction and support to the Executive Team. Wearing two hats is always complicated and I do think it confuses both the board and the executive and would merit some frank and facilitated conversation about a 'new deal'.</li> <li>Occasionally there is too much detail required from UKGI that slows decisions and / or creates tension that can be unhelpful.</li> <li>NEDs are well prepared and most spend considerable time outside meetings in various different ways.</li> <li>The EDs are very knowledgeable about the business and generally interact constructively.</li> <li>The UKGI representative has not seemed able to influence or predict government behaviour and this has led to some suboptimal outcomes. His contributions are often quite operational, rather than governance, focused.</li> <li>Outstanding engagement of NEDs particularly Ben, Carla and Zarin. UKGI representative contribution is often excellent and provides good challenge though it is not always clear whether it reflects BEIS's view, UKGI or a personal view.</li> </ul> |                              |                    |
| <b>E.</b> | <b>Information and Support</b>   |                              |                    |
| 17.       | How would you rate the management information received by the Board and its timeliness (i.e. is it the right information at the right time to provide you with the assurance you need and the understanding of the business you need)?   | 2.9                          | 2.9                |
| 18.       | How would you rate the quality of papers and presentations received by the Board?  | 2.8                          | 2.8                |
| 19.       | How effective are the Board Committees at communicating decisions and outcomes to the full Board?  | 3.6<br>(2 = N/A)             | 3.6                |
| 20.       | How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required?)   | 3.6                          | 3.4                |
| 21.       | Does the Board feel that the frequency and length of meetings are appropriate?   | Yes = 9<br>No = 3<br>N/A = 1 | Yes = 11<br>No = 1 |
| 22.       | Are issues brought to the Board at an appropriate time?  | Yes = 9<br>No = 3<br>N/A = 1 | Yes = 8<br>No = 4  |
| 23.       | Are there any issues or topics <i>that are not discussed</i> that should be considered at the Board?   | Yes = 12<br>No = 1           | Yes = 4<br>No = 8  |



|           |   |                              |                   |
|-----------|---|------------------------------|-------------------|
| 24.       | How effective are the communications between the Board and the management between formal meetings?  | 3.0                          | 2.9               |
| 25.       | Does the Board have sufficient time in private (either formally or informally) to discuss matters of concern?   | Yes = 7<br>No = 4<br>N/A = 2 | Yes = 7<br>No = 5 |
|           | <b>Average for section =</b>  | <b>3.2</b>                   | <b>3.1</b>        |
|           | <b>Additional Comments:</b> <ul style="list-style-type: none"> <li>• Board packs - far too long, taking at least a day to read and digest. With remco minutes I could be looking at 300 pages plus! The commitment of time required versus time that you can make available is a complete mismatch. Board papers often seem to be bringing a series of options rather than a firm recommendation. Outside of the two/three days required to prepare and attend the Board meetings there is very little time available for meaningful dialogue with management.</li> <li>• NEDs only approach of the Shareholder representative has broken any idea of a unitary Board and helped useful NEDs to decide to leave.</li> <li>• I would like to see a more considered setting of the board agenda and a firmer grip of how key decisions come to the board. There is a feeling among NEDs that we do not get sufficiently insightful and regular updates on trading performance and certainly the PM NEDs feel that their insights and challenges are not listened to at GE. We do have to be mindful of the limited bandwidth the executive team have, but I would encourage them to make much better use of the experience of key NEDs (eg on Mails and Technology).</li> <li>• Busy agendas mean that a lot is delegated to sub committees but the governance structures work well.</li> <li>• Papers are very detailed (a stream of consciousness!) and could be more succinct.</li> <li>• The board has had less time to discuss matters in private this year.</li> <li>• Papers have improved, but there is a sense that the accountable executives have less oversight of them than they ought to. They also sometimes seem to be recycled GE papers and that means they contain too much detail and are not addressing the right questions for the board to answer.</li> <li>• I feel there should be more NED only sessions also there should be more discussion on performance and the future of the business.</li> <li>• There have been a few very significant issues this year which have not been given either sufficient attention by the Board or where topics have come to the Board after some delay - examples include Inquiry strategy, NBIT design (which is now being significantly recast for the 2nd time) and fallback options, HIJ/CIJ conformance, Belfast exit, legal/Inquiry costs. On the finance side it hasn't always been easy to interrogate the financial forecasts that have been presented to the Board.</li> <li>• From a strategy point of view, it is apparent that the business needs a longer term vision for the core business once it is through the very substantial short term issues it is facing of compensation and the Inquiry.</li> <li>• Ben, Carla and Zarin are excellent at both the board meeting but also in between... very good engagement.</li> </ul> |                              |                   |
| <b>F.</b> | <b>Stakeholder engagement/ Culture</b>  |                              |                   |
| 26.       | How would you assess the Board's approach to considering the following stakeholder needs/ views when taking decisions:  |                              |                   |
| i.        | Customers   | 2.7                          | 2.3               |
| ii.       | Postmasters/agents and clients  | 3.7                          | 3.4               |
| iii.      | Special Shareholder   | 4.0                          | 4.2               |
| iv        | Employees   | 3.0                          | 3.3               |
| v.        | Suppliers   | 3.0                          | 3.0               |



|           |   |            |            |
|-----------|---|------------|------------|
| vi.       | Regulators  | 3.5        | 3.8        |
|           | <b>Average for section =</b>  | <b>3.3</b> | <b>3.3</b> |
|           |   |            |            |
| 27.       | How do you think the company's culture/ behaviours need to change to support the successful delivery of its strategy?   |            |            |
|           | <ul style="list-style-type: none"> <li>• Management need to feel that they can make decisions without looking over their shoulder at the possible ramifications should they make an error of judgement. The business is risk averse and the people within it are risk averse. How do we give management the confidence to get on the front foot again?</li> <li>• More prioritisation, faster pace, a willingness to take some big bets. Outside in view of customer need to ensure we remain relevant.</li> <li>• Yes - we need to be focused on clients, customers, Postmasters - and delivery, including capability.</li> <li>• Clarity on what each of the NEDs brings to the table, and better constructive support of the executive (i.e. avoiding challenge for the sake of challenge, and better understanding the scope of their remit - i.e. level of appropriate challenge vs. empowering the business to deliver what it's tasked to deliver).</li> <li>• The CEO needs a well experienced team around him to enable him to lead and change the business and at the same time be the public face for POL at the Inquiry. Without focus on the people agenda the ability to turn the PO into a sustainable and thriving business rather than one that is constantly fire-fighting is at risk.</li> <li>• The company is in survival mode - it will be important to point towards a future that employees feel is positive.</li> <li>• Culture: Focus all minds on what decisions and actions are necessary for the business to survive (e.g., if that means we need to close down 3000 unprofitable branches, we proceed to find ways to do so).</li> <li>• Behaviours: Accountability for rapid decision-making should be sought at all levels.</li> <li>• Greater clarity and urgency of mission, especially at senior management levels.</li> <li>• Better working across teams/ less working in silos.</li> <li>• There still seems to be a tendency to think about "corporate POL" rather than a franchise business with 11,500 branches.</li> <li>• In this environment the company needs a highly cohesive GE group with a clear agenda without which the necessary and difficult decisions can't be made in a timely way and the rest of the organisation will not operate efficiently.</li> <li>• A total lack of understanding of the long term impact of the short-term mindset is a serious limiting factor for our sustainability beyond 2025.</li> </ul> |            |            |
|           | <b>Additional Comments on section:</b> <ul style="list-style-type: none"> <li>• Our PM NEDs are an incredibly important voice on the board. I fear that their frustration at not always being able to directly influence the change they want to see will undermine how their roles are perceived.</li> <li>• It is a very difficult environment to effect change in, given the funding constraints. The business does feel very flat, with insufficient excitement about purpose and the value of the proposition.</li> </ul>  |            |            |
| <b>G.</b> | <b>Please include any thoughts you have about the operation of the Board and any ideas for its future operation.</b>  |            |            |
|           | <ul style="list-style-type: none"> <li>• Try and make the Board meetings more about the future of the business and less about the past. Again easy to say and hard to do when the Horizon inquiry will continue for another 2 years!</li> <li>• More outside in views from advisors, suppliers or competitors would be beneficial.</li> <li>• Continued focus on people capability and the right leadership behaviours – particularly inclusiveness.</li> <li>• Accelerated focus on strategic policy review and commercial relevance of the business.</li> <li>• We need a fresh start.</li> </ul>   |            |            |



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|           | <ul style="list-style-type: none"> <li>• It would be good to see the Board spend more time discussing what matters, and less time on what doesn't. This needs the Board to be more ruthless on what it prioritises, doesn't prioritise, etc. and to give stronger steers to Management on this.</li> <li>• The combination of the funding issues, the weight of historical issues, and the material change in board composition have had an impact on the sense of purpose of the board. The newly constituted board needs quickly to reach an accord on what needs to be done and how the board is going to support that.</li> <li>• The board papers need to be more concise. We need to be presented with more frequent updates on progress and future development and customer trends, not just NBIT progress as there is more to our business than this. The mails teams needs investment and the commercial team has to be held accountable for the lack of progress. I feel more GE and board collaboration would help in certain areas for the board to understand why specific decisions were made and why some were not.</li> <li>• Strategy Days need to have specific measurable goals with reported quarterly updates vs expectations.</li> </ul>  |
| <b>H.</b> | <b>How effective do you consider past Board Evaluations to have been and do you feel that recommendations arising from past Board Evaluations have been implemented with sufficient rigour?</b>   |
|           | <ul style="list-style-type: none"> <li>• We should review our actions more consistently. There has been a good effort to improve the Board papers, this is very much appreciated.</li> <li>• My answers have not been properly included in the feedback and not acted on.</li> <li>• With many distractions over the last year I feel we have not really addressed the issues raised by board colleagues in 2021 and now with a new chairman and some new NEDs that the POL Board can reframe its purpose and bring new energy.</li> <li>• The board is able to freely discuss issues as and when they arise - the evaluations provide an opportunity for consensus on some of the more administrative areas. These are tracked and progress is reported on.</li> <li>• My limited experience is that little has changed.</li> <li>• I feel they are helpful.</li> <li>• Overall yes, although some issues such as succession planning/organisational design have not had enough focus on the Board despite being raised consistently in Board evaluations. Henry will no doubt take a fresh look at many of the ways the Board operates and the issues we focus on.</li> <li>• With a new chair I expect there will be some shift toward greater challenge and accountability of senior management.</li> <li>• There is a concern that the POL Board lacks independence from its shareholder. The Shareholder view's are ostensibly given more weight than other NEDS or directors. POL Board should act in the best interest of POL (and it may have regard to its shareholder interest) but not at the expense of POL. It is not always clear this is being done.</li> </ul> |



## ARC Evaluation Questionnaire 2022/23

|           | Question   | 2021/22<br>Average           | 2022/23<br>Average |
|-----------|--|------------------------------|--------------------|
| <b>A.</b> | <b>Skills, experience, diversity, knowledge</b>  |                              |                    |
| 1.        | How appropriate is the composition of the Committee for the requirements of the business?  | 4.5                          | 4.6                |
| 2.        | How would you rate the Committee's understanding of the following areas of the Business:   |                              |                    |
| i.        | Financial reporting and management   | 4.3                          | 4.8                |
| ii.       | Operational and Financial Risk Management  | 4.3                          | 4.1                |
| iii.      | Compliance   | 4.5                          | 4.1                |
| iv.       | Internal Audit   | 4.3                          | 4.6                |
| v.        | External Audit   | 4.3                          | 4.6                |
| <b>B.</b> | <b>Leadership, ways of working, time management</b>  |                              |                    |
| 3.        | How would you assess the Chair's encouragement of debate within the Committee, including ensuring that all members are able to contribute to the discussion?   | 5.0<br>1 - N/A               | 4.8                |
| 4.        | How effective is the Committee at focussing on the right issues?   | 4.2                          | 4.3                |
| 5.        | How effective is the Committee at providing both challenge and support to management?  | 4.3                          | 4.0                |
| <b>C.</b> | <b>Information and Support</b>   |                              |                    |
| 6.        | How effective is the Committee at testing the information provided by management and external advisers?  | 3.8<br>1 - N/A               | 4.0                |
| 7.        | How would you rate the quality of papers and presentations received by the Committee?  | 3.5                          | 3.9                |
| 8.        | How comfortable are you that compliance with the regulatory landscape is adequately managed and reported?  | 3.8                          | 3.5                |
| 9.        | How would you rate the management information received by the ARC and its timeliness (i.e. is it the right information at the right time to provide you with the assurance you need and the understanding of the business you need)? | 3.2<br>1 - N/A               | 4.0                |
| 10.       | How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required)?                     | 4.2<br>1 - N/A               | 4.4                |
| 11.       | Are the frequency and length of ARC meetings appropriate?  | Yes = 6<br>No = 0            | Yes = 7<br>No = 1  |
| 12.       | Are issues brought to the ARC at an appropriate time?  | Yes = 5<br>No = 1            | Yes = 8<br>No = 0  |
| 13.       | Are there any issues or topics <i>that are not discussed</i> that should be considered at the Board?   | Yes = 1<br>No = 3<br>N/A = 2 | Yes = 1<br>No = 7  |
| 14.       | Does the ARC have sufficient time in private to discuss matters of concern?  | Yes = 2<br>No = 0<br>N/A = 4 | Yes = 6<br>No = 2  |
|           | <b>Additional Comments:</b>  |                              |                    |

|     |   |
|-----|---|
|     | <ul style="list-style-type: none"> <li>• It is a really well chaired and run committee.</li> <li>• ARC agendas are very full. And the papers are voluminous. This places significant demands on members of the ARC to read and digest the papers.</li> <li>• I think the frequency of the ARC meetings is too high, in particular the timing of the December and January ARC, December is a very busy period with focus on time away from the office to provide branch support, Christmas break and the reports are required immediately following the Christmas break, it places a lot of pressure on colleagues to respond to actions, progression of actions can be slow at this time of the year.</li> <li>• This year we have had issues with regulatory compliance staffing (now sorted) which appeared to come as a surprise and I think resulted in weaker oversight from ARC. We had a similar issue with cyber controls being de-prioritised. Under the new head of compliance I can see better reporting starting but I worry that ARC do not have an effective line of sight when control frameworks aren't working as designed.</li> <li>• Compliance rating reflects the fact that we do not have adequate 2nd line of defence and are having to make compromises due to funding.</li> <li>• ARC has a large agenda and has to deal with a wide array of risks. Some risk areas seem to fall outside of ARC and go to the Board which might perhaps get more focus at ARC - examples include IDG (CIJ/HIJ compliance), major projects. Both are areas of significant ongoing concern. It is also noteworthy that data management, which seems to have been under-invested in for years, has now become a focus for the organisation perhaps as a result of the Inquiry - should this issue have been a bigger focus for ARC?</li> <li>• While the frequency and length of ARC meetings are appropriate for the complexity of the business, I think that some topics / agenda items could be presented less frequently to allow for deep dives into other matters. For example, the risk update, internal audit update and compliance update could be reduced to alternative meetings or with shorter exception reporting only at alternative meetings.</li> </ul> |
| 15. | <b>Please comment on the effectiveness of the interaction with Internal Audit.</b>  |
|     | <ul style="list-style-type: none"> <li>• From our perspective the IA interactions are effective, and they highlight the key issues through their papers.</li> <li>• Good.</li> <li>• Excellent.</li> <li>• Good interaction and clear reporting providing transparency of audit reports/actions.</li> <li>• Good - reports and recommendations are much more clearly articulated and combining risk with JA has strengthened the team.</li> <li>• Always open, honest and clear. IA are independent and it is a solid function that adds value to the organisation and the committee. They are trusted and respected.</li> <li>• The co source operations is effective.</li> <li>• The interaction is good. I wonder however whether IA calls out loudly or persistently enough the issues it finds.</li> <li>• I believe that the committee has unrestricted, open and honest interaction with Internal Audit. The Head of Internal Audit has unrestricted access to all members of the committee and regular private sessions with the chair (every second month) and with the full committee (every 6 months).</li> </ul>  |
| 16. | <b>Please comment on the effectiveness of the interaction with External Audit.</b>  |
|     | <ul style="list-style-type: none"> <li>• They attend the sessions and are always happy to provide their opinions on wider control issues.</li> <li>• There are regular sessions with the ARC Chair and the PwC partner/ director ahead of every ARC meeting. This ensures that the ARC Chair is well briefed on all external audit related issues - and has the opportunity to challenge / ask questions. This works well.</li> <li>• Excellent.</li> <li>• Good interaction and engagement with regards to External auditors.</li> <li>• PwC provide a thorough audit and they provide a good and detailed audit report on the key estimates and judgements. The team at PwC have been very supportive in what has been a tricky year for the annual accounts.</li> </ul>  |



|     |   |
|-----|---|
|     | <ul style="list-style-type: none"> <li>• Open and honest dialogue with clear decision points and transparent communications. Expectations of both organisations are well managed and EA make a full contribution at committee meetings. The team are strong.</li> <li>• Overall good.</li> <li>• From what I have observed, the interaction with External Audit is unrestricted and effective. The committee also holds private sessions with the external auditors at least every 6 months.</li> </ul>   |
| 17. | <b>Please include any thoughts you have about the operation of the Committee and any ideas for its future operation.</b>  |
|     | <ul style="list-style-type: none"> <li>• I know this may be in process, but areas of concerns (operational risk, regulatory risk and inquiry related risk) should be subject to regular deep dives.</li> <li>• The retirement from the Board of the current AC Chair means that the ARC is losing a highly diligent, thoughtful and effective ARC Chair. Given the breadth and depth of the current ARC remit - finding someone to continue this significant and detailed work will not be easy.</li> <li>• The frequency of meetings could be reviewed, to consider financial year end, summer break and the Christmas period.</li> <li>• The ARC has a very extensive agenda and I would recommend that we think about developing a forward agenda that prioritises discussion time on the biggest issues and does the rest through shorter papers or by exception only. The big topics coming at us are NBIT governance and assurance which is weaker than it should be, regulatory compliance, cyber controls and effective operational controls around PM policies.</li> <li>• The committee will need to respond to the fact that the company is operating outside of risk tolerance due to funding. There are also fewer resources internally to provide oversight.</li> <li>• The operation of the committee continues to be effective, despite the headwinds and challenges faced by Post Office. The committee has adjusted its focus and appetite in line with changing circumstances and risk profile of the business. The committee (and in particular the new members of the committee) will benefit from having deep dive presentations at the ARC meetings by key areas of the business on a rotational basis. With so many challenges being faced by the business, I think the committee has managed to adopt an approach that is effective in challenging management and holding them to account, whilst still being supporting and understanding.</li> </ul> |



## Remuneration Committee Evaluation Questionnaire 2022/23

|    | Question  | 2021/22<br>Average | 2022/23<br>Average |
|----|---|--------------------|--------------------|
|    | <b>Skills, experience, diversity, knowledge</b>   |                    |                    |
| 1. | How appropriate is the composition of the Committee for the requirements of the business?   | 4.00               | 3.4                |
| 2. | How would you assess the Committee's knowledge of the following issues:   |                    |                    |
|    | a. Structure of senior executive remuneration packages and approvals process for these (PO Limited and PO Insurance)  | 4.00               | 3.4                |
|    | b. Structure of staff remuneration packages and approvals process for these (PO Limited and PO Insurance)   | 4.00               | 2.4                |
|    | c. Reporting requirements for the Remuneration Report in the Annual Report and Accounts   | 4.00               | 3.4                |
|    | d. Increased focus on and reporting requirements for equality and diversity issues.   | 4.00               | 3.0                |
|    | <b>Additional Comments:</b> <ul style="list-style-type: none"> <li>We have started looking at EDI, but need to step this up in 2023.</li> <li>I am not sure how much listening is done on the risks and impact of some of the Remuneration Committee decisions - they don't always listen to what the Executive are trying to achieve.</li> </ul>   |                    |                    |
|    | <b>Leadership, ways of working, time management</b>   |                    |                    |
| 3. | How would you assess the Chair's encouragement of debate within the Committee, including ensuring that all members are able to contribute to the discussion?  | 4.00               | <b>4.4</b>         |
| 4. | How effective is the Committee at focussing on the right issues?  | 3.80               | <b>3.8</b>         |
| 5. | How effective is the Committee at providing both challenge and support to management?   | 4.00               | <b>3.6</b>         |
|    | <b>Additional Comments:</b> <ul style="list-style-type: none"> <li>Constant challenge and sometimes support.</li> <li>Lisa runs an excellent meeting, despite difficult circumstances. Too many points come in a messy way, take too long to get resolved and are revisited after decisions are made. As a result, we are late with outcomes and management are in a poor position to use the incentives properly.</li> <li>Lisa has done an excellent job chairing this committee in very trying circumstances.</li> </ul> |                    |                    |
|    | <b>Information and Support</b>  |                    |                    |
| 6. | Are the frequency and length of Remuneration Committee meetings appropriate?  | Yes = 3<br>No = 2  | Yes = 5<br>No = 0  |
| 7. | How effective is the Committee at testing the information provided by its external advisers?  | 3.20               | 3.2                |
| 8. | How would you rate the quality of papers and presentations received by the Committee?   | 3.80               | 2.6                |

|     | Question   | 2021/22<br>Average | 2022/23<br>Average |
|-----|--|--------------------|--------------------|
| 9.  | How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required)?   | 4.00               | 3.4                |
|     | <b>Additional Comments</b> <ul style="list-style-type: none"> <li>• A review of WTW would be helpful especially regarding benchmarking.</li> <li>• WTW have not been very proactive and they seem not to have any definite views - perhaps because of the unusual nature of POL.</li> <li>• Some of the papers have been muddled and confusing, especially in terms of accurately recording what the underlying factual position is and maintaining the integrity of what the Committee has actually agreed.</li> </ul>  |                    |                    |
| 10. | <b>Please include any thoughts you have about the operation of the Committee and any ideas for its future operation.</b>   |                    |                    |
|     | <ul style="list-style-type: none"> <li>• More to do to get to a better timetable of decision making</li> <li>• More to go to balance reward fairness and affordability</li> <li>• More to go to simplify reward structures</li> <li>• Trust needs to continue to be built between the Executive and the Committee - a focus on engagement/listening/incentivisation would be helpful</li> <li>• The interplay with Shareholder approval remains a significant working issue for the Committee - in particular the level of approvals required for any executive Board comp.</li> <li>• There seems to be much merit in trying to simplify the incentive plans.</li> <li>• The appointment of a new head of HR provides an opportunity to reset the relationship with the committee. It must be recognised that the environment in which the company is operating and pressures it is under (both internal and external) make the job of the HR team and Remco difficult. Turnover in the HR team also means corporate memory is sometimes missing. However, it has been disappointing that some decisions which should have been taken to Remco have not (eg certain senior exec exit packages). In addition, the process of STIP/LTIP design continues to a problem - more interaction before the end of the previous FY would speed up framework design and would help with the creation and presentation of the supporting papers on the metrics themselves. As a result the quality of Remco papers has been poor and decisions delayed for too long.</li> </ul> |                    |                    |



## Nominations Committee Evaluation Questionnaire 2022/23

|     | Question  | 2021/22<br>Average | 2022/23<br>Average |
|-----|---|--------------------|--------------------|
|     | <b>Skills, experience, diversity, knowledge</b>   |                    |                    |
| 1.  | How appropriate is the composition of the Committee for the requirements of the business?   | 3.60               | 4.0                |
| 2.  | How would you rate the Committee's knowledge of the following issues:   |                    |                    |
|     | a. Succession planning  | 3.20               | 3.0                |
|     | b. Board recruitment and appointment processes (including PO Insurance)   | 4.00               | 4.0                |
|     | c. Corporate governance requirements.   | 4.20               | 4.0                |
|     | <b>Additional Comments:</b> <ul style="list-style-type: none"> <li>We need to do a better job at succession planning. We have ended up with a number of Board appointments at the same time which is not ideal.</li> <li>Nomco has not operated particularly well while Tim Parker was Chair. Succession planning didn't get the focus it really needs. Hopefully Henry Staunton's arrival will be an opportunity for a reset.</li> </ul> |                    |                    |
|     | <b>Leadership, ways of working, time management</b>   |                    |                    |
| 3.  | How would you assess the Chair's encouragement of debate within the Committee, including ensuring that all members are able to contribute to the discussion?  | 3.80               | 3.8                |
| 4.  | How effective is the Committee at focussing on the right issues?  | 3.80               | 3.5                |
| 5.  | How effective is the Committee at providing both challenge and support to management?   | 4.00               | 3.5                |
|     | <b>Additional Comments:</b> <ul style="list-style-type: none"> <li>The Nominations Committee works fine but is very mechanistic in how it operates - it could be much more effective in its discussions on succession and talent across GE/SLG etc</li> </ul>   |                    |                    |
|     | <b>Information and Support</b>  |                    |                    |
| 6.  | How effective is the Committee at testing the information provided by its external advisers?  | 4.00<br>N/A - 4    | 3.0                |
| 7.  | How would you rate the quality of papers and presentations received by the Committee?   | 4.00               | 3.0                |
| 8.  | Are the frequency and length of Nominations Committee meetings appropriate?   | Yes = 4<br>No = 1  | Yes = 4<br>No = 0  |
| 9.  | How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required?).   | 3.60               | 3.3                |
| 10. | How effectively does the Nominations Committee assess the quality of the management team below Board level and manage succession planning?  | 2.60               | 2.8                |
|     | <b>Additional Comments:</b> <ul style="list-style-type: none"> <li>Better succession planning focus needed.</li> <li>Could be more effective.</li> <li>Quality of papers is usually good apart from succession planning.</li> </ul>   |                    |                    |



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|     | Question  | 2021/22<br>Average | 2022/23<br>Average |
|-----|---|--------------------|--------------------|
| 11. | Please include any thoughts you have about the operation of the Committee and any ideas for its future operation.   |                    |                    |
|     | <ul style="list-style-type: none"><li>We can do a better job at succession planning. Both at Board and at other levels.</li><li>Needs to focus on proper strategic nominations/talent strategy more and less on pure process.</li><li>I have only joined the committee recently and Lisa has been a great chair. Regarding the future operation I feel we can make a better assessment once Henry and the new NED's have settled.</li></ul> |                    |                    |



## Historical Remediation Committee Evaluation Questionnaire 2022/23

|    | Question   | 2022/23 Average           |
|----|--|---------------------------|
|    | <b>Skills, experience, diversity, knowledge</b>  |                           |
| 1. | How appropriate is the composition of the Committee for the requirements of the business?  | <b>4.2</b>                |
|    | <b>Additional Comments:</b> <ul style="list-style-type: none"> <li>• Good mix of Shareholder representation, lawyers and practicality.</li> <li>• This committee requires considerable legal expertise and I know that I need more than usual background briefing from the team. Perhaps successor members could have some upfront training on some of the legal issues around compensation legal principles.</li> </ul>   |                           |
|    | <b>Leadership, ways of working, time management</b>  |                           |
| 2. | How would you assess the Chair's encouragement of debate within the Committee, including ensuring that all members are able to contribute to the discussion?   | <b>4.4</b>                |
| 3. | How effective is the Committee at focussing on the right issues?   | <b>3.6</b>                |
| 4. | How effective is the Committee at providing both challenge and support to management?  | <b>3.6</b>                |
|    | <b>Additional Comments:</b> <ul style="list-style-type: none"> <li>• Very supportive and collaborative whilst at the same time challenging where appropriate.</li> <li>• There are in effect 2 decision makers at the HRC - BEIS as the ultimate funder and POL as the primary accountable body. Inevitably there are differences in judgements and differences in the detail to which compensation mandates are interrogated. The Committee would run smoother if the Shareholder representative had the opportunity to interrogate the HMU executive on each of the initial claims in detail first.</li> <li>• The committee has been effective at decision-making and Ben has chaired HRC extremely well.</li> <li>• Because of the large agenda HRC's organisation and capacity perhaps doesn't get enough attention and it's a concern that some things seem to sit for a long time within HMU before they come forward to HRC - Detriment 2 is an example of this but also the latest OHC SARs seem to have taken a while to process.</li> </ul> |                           |
|    | <b>Information and Support</b>   |                           |
| 5. | How effective is the Committee at testing the information provided by its external advisers?   | <b>3.6</b>                |
| 6. | How would you rate the quality of papers and presentations received by the Committee?  | <b>3.4</b>                |
| 7. | Are the frequency and length of Committee meetings appropriate?  | <b>Yes = 4<br/>No = 1</b> |
| 8. | How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required?).  | <b>3.8</b>                |



|     | Question  | 2022/23 Average   |
|-----|---|-------------------|
| 9.  | How effectively does the Committee assess the quality of the management team below Board level and manage succession planning?  | 2.0               |
|     | Do the right issues get brought to the Committee at the right time?   | Yes = 4<br>No = 1 |
|     | <b>Additional Comments:</b> <ul style="list-style-type: none"> <li>The HRC needs to understand it is not an Executive forum and do the right thing not what's easiest for BEIS.</li> <li>This is effectively a temporary committee established simply for Historical matters, therefore succession is not particularly relevant.</li> <li>We have made progress with reducing the volume of approvals and notings that come to HRC, which was excessive. More could be done (though noting that shareholder approvals often require HRC engagement, possibly without real need for that).</li> </ul>  |                   |
| 10. | Please include any thoughts you have about the operation of the Committee and any ideas for its future operation.   |                   |
|     | <ul style="list-style-type: none"> <li>We will miss the calm rational Zarin. I think HRC is getting to the stage where the operation is just about up and running so it's now down to monitoring performance and delivery through to conclusion and then closure. I think in Q1 2023 consideration should be given to holding the meetings every month rather than every fortnight.</li> <li>The critical thing for HRC to do is get on top of the new OHC remediation process, establish the compensation principles early, get shareholder support for them and move at speed.</li> <li>I would like to meet less frequently, but this is a challenge given the current range and pace of issues arising.</li> <li>One concern I have is how the Inquiry is being governed. It isn't clear to me whether this is a Board or HRC topic. In either case I don't think it is receiving the Board level attention required. POL's strategy towards the Inquiry isn't clearly discernible and hasn't been debated at the Board.</li> </ul> |                   |