



Post Office Board Agenda

Date		Present		In Attendance	
30 October 2018		<ul style="list-style-type: none"> • Tim Parker (Chairman) • Paula Vennells • Ken McCall • Alisdair Cameron 	<ul style="list-style-type: none"> • Tom Cooper • Tim Franklin • Shirine Khoury-Haq • Carla Stent 	<ul style="list-style-type: none"> • Veronica Branton (Minute Secretary) • David Cavender QC (item 3) • Andy Parsons (Womble Bond Dickinson) (item 3) • Mark Davies (Group Director Communications, Brand and Corporate Affairs) (item 3) • Mark Underwood (Head of Portfolio) (item 3) • Debbie Smith (CEO – Retail) (item 6) 	<ul style="list-style-type: none"> • Cathy Mayor (Finance Director – Retail) (item 6) • Martin Kearsley (Banking Director) (item 7) • David Gemmell (Programme Director – LRG) (item 8) • Rob Houghton (CIO) (item 9)
Start Time	Finish Time				
11.45 hrs	15.20 hrs				
Location					
1.19 Wakefield					

Agenda Item		Action Needed	Purpose	Lead	Timings
1.	Welcome and conflicts of interest	Noting	To note any new declarations of conflicts of interest.	Chairman	11.45 – 11.50
2.	Minutes of previous Board and Committee meetings including Status Report	Approval	Minutes formally agreed.	Veronica Branton	
3.	Postmaster litigation update	Noting and Input	To update the Board on the litigation.	David Cavender QC/ Andy Parsons (WBD)	11.50 – 12.10
4.	CEO Report	Noting and Input	CEO to update the Board on the report.	CEO	12.10 – 12.30
5.	Finance				12.30 – 13.10
	a) Financial Performance Report	Noting and Input	CFOO to update the Board on the report.	CFOO	
	b) UKGI Quarterly Report	Approval	To seek the Board's approval to submit the report to UKGI.	CFOO	
Lunch					13.10 – 13.25
6.	Retail Performance Report	Noting and Input	To update the Board on Retail performance.	Debbie Smith/ Cathy Mayor	13.25 – 13.50
7.	Future of Cash - Banking Framework 2 (to be presented at the meeting)	Noting and Input	To update the Board on the negotiations with the banks on Banking Framework 2.	Debbie Smith/ Martin Kearsley	13.50 – 14.20



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8.	<u>Legal Enterprise Optimisation (LEO)</u>	Approval	To seek the Board's approval for the development of the corporate structure.	David Gemmell/ Ben Foat	14.20 – 14.50
9.	<u>Belfast Exit Plan Business Case</u>	Approval	To seek the Board's approval for the Belfast Exit Plan Business Case.	Rob Houghton	14.50 – 15.10
10.	<u>Conflicts of Interest Policy</u>	Approval	To review the Conflicts of Interest Policy and approve any changes proposed.	Veronica Branton	15.10 – 15.20
11.	<u>Terms of Reference Remuneration Committee</u>	Approval	To approve the revised Terms of Reference for the Remuneration Committee.	Veronica Branton	
12.	<u>Contracts</u>	Approval	To seek the Board's approval of contracts.		
13.	<u>Items for Noting</u>				
	13.1. <u>Sealings</u>	Noting	For the Board to be aware of the affixing of the Seal.	Veronica Branton	
	13.2. <u>Health & Safety</u>	Noting	To update the Board on Health & Safety.	Al Cameron	
	13.3. <u>Future Meeting Dates</u>	Noting	For the Board to note the future meeting dates for 2018 and 2019.	Veronica Branton	
	13.4. <u>Forward Agendas</u>	Noting	For Board to note.	Veronica Branton	
14.	<u>Any Other Business</u>				
CLOSE					



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**MINUTES OF A MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON TUESDAY 25
SEPTEMBER 2018 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 11.30 AM**

Present:	Tim Parker	Chairman (TP)
	Paula Vennells	Group Chief Executive (PV)
	Ken McCall	Senior Independent Director (KM)
	Tom Cooper	Non-Executive Director (TC)
	Tim Franklin	Non-Executive Director (TF)
	Shirine Khoury-Haq	Non-Executive Director (SK)
	Carla Stent	Non-Executive Director (CS)
	Alisdair Cameron	Group Chief Financial and Operating Officer (AC)
In Attendance:	Jane MacLeod	Company Secretary (JM)
	Veronica Branton	Head of Secretariat (VB)
	Owen Woodley	CEO – FS&T (OW) (item 7)
	Debbie Smith	Chief Executive Retail (DS) (items 8, 9 and 10)
	Martin Kearsley	Banking Director (MK) (item 8)
	Tom Moran	Network Development Director (TM) (items 8, 9 and 10)
	Andrew Clatworthy	Retail (ACL) (item 8)
	Mark Siviter	MD Mails & Retail (MS) (item 9)
	Rob Houghton	Group Chief Information Officer (RH) (item 12)

Apologies: None

ACTION

1. INTRODUCTION AND CONFLICTS OF INTEREST

- a) A quorum being present, the Chairman opened the meeting.
- b) 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. MINUTES OF PREVIOUS BOARD AND COMMITTEE MEETINGS INCLUDING STATUS REPORT

The minutes of the meeting of the Board held on 31st July 2018 were **APPROVED** and **AUTHORISED** for signature by the Chairman.

3. CEO's REPORT

- a) Paula Vennells updated the Board on the following recent issues:
 - the Annual Report and Accounts 2017/18 had been published. The coverage had been predominantly positive. One negative story on pay had appeared in Private Eye and a couple of emails had been received following that. The Guardian had published an article on "scruffy" POs to which we had responded
 - Rob Houghton had taken charge of resolving the PCI Compliance issue. Some of our credit card data was not encrypted end-to-end. This information included some personal data such as names. 33,000 of our terminals were out of licence but there were reasons not to replace them at this stage. A full report setting out proposed solutions was going to be provided to the ARC in October 2018
 - the price reduction on Verify and its impact had been discussed the previous day but a briefing could be provided for any Board Director who had not been at the session



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- a number of new staff had been appointed to the Retail Business Unit, bolstering skills within the organisation, including digital skills
- our negotiations with WH Smith were progressing well. A further payment would be made to WH Smith subject to them meeting their customer service targets
- progress with the acquisition of the Payzone bills payment business was on track and work was taking place to ensure that all necessary arrangements were in place on day 1 of running the business. Ideally, we would complete the acquisition on a month end and were hopeful that this would be the end of October 2018.

b) A number of points were raised, including:

- our position on charging for the use of ATMs. It was reported that ideally we would want ATM use to remain free
- whether there was a systemic issue resulting in our not meeting the ATM target. It was reported that we were achieving the target now but that our partner was not committed to the longer term delivery of this service. We needed a new partner and new ATMs which would require investment, the proposals for which would need to be considered by the Board
- the session on the development of the Identity Business line held the previous day had been worthwhile. It had been helpful to consider the strategic choices we would have to make but a continuation of that discussion would be useful. It was **AGREED** that another session would be scheduled **VB**
- The importance of developing our market in the private sector had been noted. There had also been discussion about whether we had sufficient customer focus currently. The test and learn approach we were taking was seen as appropriate. Consideration should be given to how the development of the Banking Framework might tie in the use of our Identity service by the banks. Board Members discussed whether we were expanding our Identity services business as rapidly as we should. The executive thought that the current approach was correct because we needed to get the front end of the service right
- competition appeared to be increasing in many areas of the business e.g. Travel insurance. Market disruptors were slashing margins and changing the shape of some markets. The attractiveness of a particular business proposition could, therefore, change very quickly. It was thought that we needed to spend more time generally assessing our competitors to provide a thorough understanding of our relative position
- The organisation structure chart would be sent to the Non-Executive Directors. **VB**

c) The Board **NOTED** the CEO's report.

4. FINANCIAL PERFORMANCE REPORT

- a)** The CFOO introduced the report and highlighted a number of issues:
- we were £4.7m ahead on EBITDA but expected this to reverse in the second half of the year because of the cut in fees for Identity and the cost reductions in IT not coming through in the second half of the year. The latter was partly due to delays in the Belfast exit negotiations. The parcels market had been resilient
 - Travel money had underperformed against the plan; this was in part because of period specific issues such as the extended period of warm weather and Brexit that had affected the whole market but we were conscious of market disruptors whose margins were minimal
 - Insurance was not achieving the volumes or the returns planned in all areas. There were some specific reasons: the difficult summer in travel and delays in Customer Hub. A review of marketing efficacy was underway



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- Telco was likely to miss its income targets but meet its trading profits. We would be returning to the Board to discuss the longer term strategy for Telco. Pricing was higher out of contract and was going to be increased, while we remained competitive on in-contract pricing. The strategic work would consider a variety of options including sales, partnering, removing Fujitsu and the product range.
- b) A number of points were raised, including:
- The position on former agents' losses was discussed. It was noted that we were not bringing prosecutions currently where these related to the Horizon system because of the ongoing litigation. The increase in cash in branches further increased the risks. We had improved our ability to identify branches with potential fraud issues and target them for audits. Prosecutions could potentially start again after the Horizon Trial (assuming a positive outcome), however as matters go "stale" after c6 months, it is unlikely that we would be able to prosecute retrospective cases
 - Security in branch and in the supply chain was discussed. Introducing CCTV in high risk branches had been and continued to be considered but there were costs associated with this. Analysis had been done to identify high risk branches but this covered a range of factors such as a branch handling high volumes of cash; however, the correlation between high risk indicators and the location of thefts and fraud was not high in practice
 - The physical management of cash in branches was going to be critical to the business and it was thought that we should consider whether security provisions such as CCTV were simply the cost of doing business. ATMs and closed cash systems also formed part of this conversation on security measures and the safety of staff as POs became increasingly the place to go for cash. It was reported that while we had experienced health and safety improvements overall we had suffered a spate of ATM rip outs. A Business case was being considered to roll out fogging devices to many more branches. It was **AGREED** that an update on security measures would be included in the Health & Safety Report to the Board. We needed to recognise that this was an investment discussion where there was no immediate prospect of return
 - It was reported that a project was being run on closed cash where the safe and till were combined. Feasibility and cost were key issues and to be achievable might require co-funding from the banks. An approach to the banks on investment would have to be considered very carefully as we were proposing a significant increase in fees through Banking Framework 2. We might consider a segmented approach where equipment such as closed cash cartridges could be deployed in the top branches for cash, with cameras for other branches
 - Our cash borrowing was discussed. We had made efficiency improvements in branches on cash management but we were borrowing more than we had expected.
- c) The Board **NOTED** the Financial Performance Report.

AC

5. FUNDING BEYOND 2021

- a) The CFOO introduced the report and highlighted a number of issues:
- we were six months into a three year funding plan and would not normally be starting a conversation about the period beyond that plan at this stage; however, UKGI and BEIS were preparing for the anticipated Government Comprehensive Spending Review and we wished to provide them with some sensible placeholders notwithstanding the significant degree of uncertainty in our plans beyond 2021. Our baseline assumptions were:
 - we should not need substantial investment funding if we are achieving our trading profit targets



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- network subsidy would continue to be needed to keep unprofitable branches open. Network subsidies were currently provided at around £50 m per annum and we had to provide evidence of the costs required to meet the Services of General Economic Interest (SGEI) set out in our Funding Agreement with Government
 - that we would need a borrowing facility.
 - work was being done on the costs of running the unprofitable branches, our IT costs, the cost of re-investment in the network and regulatory changes etc.
- b) A number of points were raised, including:
- that there were a number of moving parts with IT transformation, investment requirements for business developments such as Identity, the need for funding for loss making branches but with the prospect of the EBITDA figure being significantly higher with the increase in fees with Banking Framework 2
 - we would need to consider whether we should be asking Government for a contingency fund, how that conversation should be structured and the fund level required
 - that we could not expect indefinite funding from the taxpayer other than to run unprofitable branches but that meant we needed to have the capability to borrow. The preference would be to be able to access external funding. We needed to consider our capital investment requirements, the returns we thought we could get from these and any assets we might sell
 - whether we should consider a symbolic drop in what we sought as the network subsidy to show our intended direction of travel. It was noted that the reverse argument was that inflation and the cost of managing cash in branches meant that a £50m network subsidy was less in reality anyway and that there should be a fee attached to providing an unprofitable service. To understand this better the Board asked to see the costs associated with running the unprofitable branches.

AC/ DS

The scope to retain the network subsidy but look at dividend payments was discussed.

- c) The Board **NOTED** the Report and endorsed the proposed approach of having open conversations with BEIS and HMT to seek longer term alignment around future government support.

6. FS&T PERFORMANCE REPORT

- a) OW introduced the report and highlighted a number of issues:
- Telco – we were set to deliver on plan on a net basis but were having to account for the FD11 error. The market place was very competitive, with significant customer retention activity, and our assumed net numbers would go down slightly because of the costs associated with implementing project Galaxy. We were considering deploying marketing spend and had engaged consultants to consider a number of issues such as what we might do at the end of the Fujitsu contract
 - PO Insurance – the environment was difficult but with signs of encouragement in recent sales. We still needed to build our market capability and were restructuring of our marketing and digital capabilities. We also needed to build our analytics capability
 - Ancile – the firm had appointed advisers and would be going to auction; however, we were exploring the possibility of a non-binding bid and would have exclusive access to the data room associated with the sale for a period of time



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- Customer Hub – we were building capability and considering a customer home proposition as we had a number of constituent parts which others in the market did not
 - there had been a session on Brexit planning at PO Insurance Board more detail of which could be provided to the Board.
- b) A number of points were raised, including:
- whether the price increase proposed in Telco was sensible. The executive confirmed that their view was that we should continue to stay in line with the market and that the increase would maintain our income line while treating customers fairly
 - that Non-Executive Directors would find it helpful to understand the customer research we had by product. PO was seen as less relevant to the younger demographic and the executive was thinking about increasing this through financial education positioning. Our culture change was directed at having greater focus on customers, which was broader than a product focus. The approach to attracting younger customers was discussed and it was reported that a digital forum was being set up which would help us gain insight and that the on-line registration process for Customer Hub app also gave us insight into customer requirements
 - the growth of the insurance business and the investment in marketing related spend was discussed and it was **AGREED** that this would be included as an item on a Board agenda. The newly appointed Chief Marketing Officer (CMO) would be invited to join this discussion OW/ VB
 - the CMO's role was discussed and whether this involved looking at customer acquisition across the piece. It was confirmed that this was the case but that we needed to adjust the way we worked to maximise these opportunities
 - the shortfall in the Customer Hub volumes against plan and whether we had dealt with the issues which had generated this result were discussed. It was reported that we now thought that the original assumptions had been unrealistic but that we had established the case for a digitally integrated proposition and needed to drive the ongoing business. A number of lessons had been learnt in the process. We had not appreciated the operational difficulties of working within a Joint Venture Agreement (JVA) sufficiently nor of migrating from an existing app. Our targets had been too ambitious. Work was taking place to review the CHUB investment and learnings formally. These learnings and the next stage of development of CHUB, including the mails proposition that was due to be launched during the current financial year, would be brought back to the Board. OW/ VB

7. PEREGRINE UPDATE

- a) OW provided a verbal update on the Peregrine negotiations. Bank of Ireland (BoI) had held an investor day in June 2018 which had focussed on its cost reduction programme. This had included a strategic review of its credit card operations in the UK. We had re-started our negotiation process with BoI which would reach its final stage in October 2018.

BoI was claiming not to be making a profit on its joint venture with PO. Their figures did not stand up to scrutiny and appeared to be a negotiating position rather than genuine sharing. However, BoI was making less money than 18 months ago because of the reduction in mortgage margins. We needed to know what their fixed costs and average achieved margins were. We had always asserted that there was a mismatch on FRES costs but BoI was now saying that there were several million pounds of unallocated costs. BoI's strategic intent did not appear to align with PO's.



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Bol appeared to be intent on selling its part of the credit card book. We would like a better partner on credit cards but had always said this would be part of the wider Peregrine negotiations. Bol had written to us to notify us of its intent to proceed with selling its part of the credit card book. At this stage it was felt appropriate for PV to meet with the Group CEO of Bol to get a clearer view of Bol's real strategic position. PV had met earlier in the day with the outgoing UK CEO of Bol. The view from this discussion was that the new Bol negotiating team were trying to get up-to-speed. The UK market was more dynamic than the Irish so Bol learnt from developments here making the view that Bol was seeking to get out of the UK less credible. Failing to do a deal with PO would force Bol to consider more niche parts of the UK market as there was no credible replacement partner of our scale.

- b) A number of points were raised, including:
- that the Irish economy was growing rapidly and it was feasible that Bol was seeking to retrench in light of Brexit and its likely impact on UK economy
 - that we should consider accelerating our work on "Plan B" in case the Peregrine negotiations did not develop as we wished them to. Bol might be amenable to us finding an alternative partner so a "friendly divorce" could be an option.

OW

8. BANKING FRAMEWORK 2

- a) The Chairman welcomed Debbie Smith and Martin Kearsley to the meeting. MK introduced the paper and highlighted a number of issues:
- Banking Framework 2 was seeking to appropriately charge the banks a commercial rate for our services which reflected the true value that PO offers the banks as they reduce costs arising from branch closures
 - A number of variations to the original framework were being worked through. The Framework Fee, transaction rates and Ad Valorem fee changes were being proposed
 - Issues regarding Automation, Balance Sheet funding and future cash volumes impacting the Supply Chain were being work through by the team.
- b) A number of points were raised,
- it was noted that Santander did not have a branch network for business customers and this differentiated them from other banks
 - we could consider transitioning increased tariffs over a period of time and should factor in what charges the banks would be prepared to pay to secure certainty for a longer period of time. However, it was noted that we had greatest leverage now as the banks had not developed strong alternative networks and cash transaction volumes remained high. The increased tariffs proposed reflected savings to the banks, our costs and investment requirements. It was also noted that the largest growth area was business deposits and these were the most timing consuming and problematic banking transaction for us so it was reasonable for our proposed tariff increases to focus on that transaction
 - the specialist advice we had received was discussed. It was reported that KPMG had advised us on the savings being made by the banks through branch closures but not on our pricing proposals. Andrew Clatworthy had been recruited to lead on the negotiations with the banks. It was suggested that it would be worthwhile engaging another third party to test our thinking and proposals on the negotiations, including how the banks might view our proposals
 - whether the banks were aware of the likely scale of the pricing changes. It was confirmed that the banks were aware that the increases would be substantial and that this was justified

DS/ MK



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- whether we had any red lines on the pricing. It was reported that the target rate was viewed as a market sustainable rate.
- c) The Board **NOTED** the report and supported the option of allowing the banks until 31 March 2019 to confirm or terminate their inclusion in the Banking Framework 2.

9. PROJECT SOLAR

- a) The Chairman welcomed Tom Moran and Rob Houghton to the meeting. TM explained that Project Solar was a strategic initiative to deliver greater access to Post Office products and services through a range of devices owned and operated by retailers, customers and the Post Office. To date, we had been working most closely with McColls on this project.
- b) The Board:
- **RESOLVED** to **APPROVE** the £5.995m spent on the project to date to deliver HNGT Lite
 - **NOTED** that a costed paper would be provided for the Board on the next phase of the Project once the product roadmap had been developed.

10. MAILES STRATEGY UPDATE

- a) Mark Siviter introduced the report and highlighted a number of issues:
- discussions with Royal Mail (RM) would begin formally in October 2018, which would start to confirm our priorities and RM's for the contract. The relationships with RM had strengthened and there was trust between the two parties. We had been having informal discussions about the contract since March 2018
 - our main priorities were acquiring the ability to sell Online and freedom to open up the network up for click and collect
 - our early view was that RM wanted a fixed fee reduction and the continued benefit of business efficiencies
 - the Board would be updated on the discussions with RM and Board approval sought on our final contract proposals.
- b) A number of points were raised, including:
- what our current arrangements were for click and collect. It was reported that returns could be made to a PO but not then collected for re-delivery by a competitor of RM. Our view was that at this point RM had already lost the sale to a competitor so it did not make sense to stop consumers using PO for re-delivery via another provider
 - what RM's focus was on cost efficiency. It was reported that we had held discussions on aligning up our end-to-end processes and that RM was likely to seek a reduction in the price for the overall contract; however, we did not think it likely that RM would seek a signing fee. RM and PO were in a mutually dependent position without viable alternative partners
 - that there had been significant change in the RM leadership team. Nick Landon would be leading the negotiations and was the consistent figure from RM in these discussions
 - that we should consider what developments in technology might mean for the supply chain. For example, whether investment would be needed for self-drive vehicles
 - that we should be helping RM to understand the benefits of the contract to them to assist their CEO in explaining this to the market
 - whether online flexibility included all online options. It was noted that we wanted to be able to create apps and sell online



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- whether retaining exclusivity in some areas of the contract could cause competition challenges. It was reported that we were discussing the relevant clauses of the contract with Linklaters but would not want to lose exclusivity in all areas
 - that we needed to avoid locking ourselves into a contract for too long a period as the market was changing so quickly. It was reported that we were considering carefully the break clauses in the contract.
- c) The Board **NOTED** the update, the progress made to date and the intent to enter the first round of formal negotiations.
- 11. PROJECT EDGWARE**
- a) DS updated the Board on the Project Edgware negotiations with WHSmith. The deal was better than previous ones and drove customer care. WHSmith wanted to include the announcement of the deal in their full year profits on 11 October 2018. For this reason, the Board was asked to delegate authority to the Group Chief Executive to sign the deal which would be concluded in the next couple of weeks. The Board would be briefed on the deal before the public announcement. **DS/ TM**
- b) The Board **RESOLVED** to delegate authority to the Group Chief Executive to sign the contract and accompanying documentation with WHSmith.
- 12. BACK OFFICE TRANSFORMATION**
- a) The Chairman welcomed Rob Houghton to the meeting. AC introduced the paper and reported that testing through TRANSAP was taking longer than through SAP. We had considered carefully whether we could migrate off POLSAP and go live in November 2018. However, this would have disrupted the cash forecasting solution before Christmas. We were confident that we could go live with the new system in January 2019 and that the training requirements would have been completed. The only reason we would have considered migrating earlier, given the risks of doing so, would have been experiencing deterioration in POLSAP. The cost of the work from Autumn 2018 to January 2018 was in the region of £10m and the incremental cost from November 2018 to January around £2m.
- b) The Board noted that the work was necessary to the running of the business and **RESOLVED to APPROVE** the additional £9.4m drawdown.
- 13. MODERN SLAVERY ACT**
- a) JM introduced the paper:
- we had an obligation to publish a statement on our compliance with the Modern Slavery Act (MSA) within six months of the end of the financial year. ARC members' comments had been reflected in the statement
 - we had taken a range of steps to comply with the MSA, including reviewing agents' contracts, which contained a general obligation to comply with the law and had also provided training for agents
 - the agency network risk was our principal risk so the ownership of the MSA policy was likely to sit with the CEO – Retail in future.



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- b) The number of points were raised, including:
- that we needed traction in the next year on the actions we had identified so clear ownership of the policy was important
 - whether we could audit our compliance with the MSA when our network was predominantly operated by agents running their own businesses.
 - that we should change the wording of the statement to refer to due diligence for on boarding but not for the subsequent operation of the business JM
 - whether we carried out subsequent checks when we visited agencies. It was reported that there was a vetting check when PMs took on staff. In order to access Horizon, those checks had to have been completed and included checking that the individual was a real person and eligible to work etc.
 - whether there was as retail consortium which produced a standard on modern slavery which we could sign up to. It was noted this would be investigated
 - that raising awareness through training was important. It was noted that we would consider whether there was scope to strengthen our existing arrangements.
- c) The Board **RESOLVED** to **APPROVE** the 2017/18 Modern Slavery Act Statement, subject to incorporating the change agreed at the meeting, and endorse the proposed actions for the business to take forward in the 2018/2019 financial year.

14. POSTMASTER LITIGATION (Confidential and subject to legal privilege)

- a) JM updated the Board on the Postmaster Litigation. The first hearing for the Common Issues would start on 5 November 2018. It was thought that the judgement was likely to be published at the end of December 2018 or the beginning of January 2019. We were preparing in parallel for the second trial on the Horizon system. Two experts (one for each party) had been appointed to provide their view of the Horizon system and had a series of questions to answer from the Judge. In effect the judge's decision would reflect which expert he believed.

We were preparing our communications approach and material. One Freelance journalist was seeking crowd funding to be able to attend the trial.

Work on contingency planning was happening in parallel.

- b) The Board **NOTED** the update.

15. ITEMS FOR NOTING

15.1 Sealings

The Board **RESOLVED** that the affixing of the Common Seal of the Company to the documents set out against items numbered 1697 to 1710 inclusive in the seal register was confirmed.

15.2 Health and Safety

AC reported that accident levels had decreased but incidents of violence had increased. We were looking at options to mitigate these risks including the roll out of fogging devices in many more branches. There had also been an upsurge in attacks, particularly on crews in Liverpool. Body cameras did not appear to have improved the situation and we were not yet sure of the right response to the increase in ATM rip outs.

KM asked whether we have considered doing more in-night deliveries. It was



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reported that this might be beneficial if it happened some of the time but could prove more dangerous for crews if night time delivery replaced day time though further consideration would be given to the issue.

The Health and Safety report was **NOTED**. An update on security measures in branches and in the supply chain would be included in the Health and Safety report for the Board. **AC**

15.3 Future Meeting Dates

The future meeting dates were **NOTED**.

15.3 Forward Agenda

The forward agenda was **NOTED**.

Meeting closed at 3.00 pm.

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Chairman
Date

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Post Office Limited Board Actions as at 22.10.2018

REFERENCE	ACTION	ACTION OWNER (GE)	DUE DATE	STATUS	OPEN/TO CLOSE
Board Meeting 24 May 2018					
2. Future of Banking Framework	It would be useful to have a refresher on ATMs and the history of POca before coming back to the Board on our developing strategy on these issues.	Debbie Smith (Martin Kearsley)	January 2019	Report on ATMs will go to the Board in January 2019.	Open
3. Bank of Ireland negotiations					
3. a)	Come back to the Board with a fact list on our contractual terms.	Owen Woodley	October 2018	To be added to the Bank of Ireland negotiations report to the Board.	To close
3. b)	Include a "Plan B" in the next Bank of Ireland Board report on our options should we not be able to re-negotiate the deal with Bol to our satisfaction.	Owen Woodley	November 2018	To be added to the report to the Board in November 2018. This topic was also raised at the Board meeting on 25 September 2018 under item 7 b).	Open
Board Strategy Sessions 26 & 27 June 2018					
1. Retail Strategy					
1. a)	The ATM Strategy should factor in our whole Cash Strategy. (We needed to analyse an investment in cash machines carefully looking at how far we would move to being a cashless society in the next 3-4 years).	Debbie Smith	November 2018	The Retail Strategy paper is going to the November Board and will refer to our work to join up and integrate automation activity across Mails, Banking and ATMs.	Open
1. b)	Agent Remuneration	Debbie Smith	November 2018	The Retail Strategy paper is going to the Board in November and will include Agent Remuneration.	Open
1. c)	Rolling out of simple SSKs (It was AGREED that an item would be included on the Board agenda about the costs associated with rolling out cheaper, less sophisticated kiosks (the Post Office Express Model)).	Debbie Smith	November 2018	The Retail Strategy paper is going to the Board in November and will include SSKs.	Open
2.	FS&T Strategy in branches Owen Woodley would come back to the Board with an integrated view of FS and Telco, working with Debbie Smith to make sure that the insurance strategy and the retail strategy were integrated.	Owen Woodley/ Debbie Smith	November 2018	The Retail Strategy paper is going to the Board in November and will include the sale of FS&T products through the Retail network.	Open

Post Office Limited Board Actions as at 22.10.2018

Board Meeting 31 July 2018					
1. CEO's Report	The pricing information for Travel Money that was provided for the strategy day would be updated and circulated to the Board.	Owen Woodley	October 2018	Updated information circulated to the Board on 11 October 2018.	To close
Board Meeting 25 September 2018					
1. CEO's Report					
1. a)	A follow up session on the development of the Identity Business Line to be scheduled.	Veronica Branton	November 2018	A session is proposed for the 27 th November 2018 in advance of the Board meeting.	To close
1. b)	The organisation structure chart to be sent to the Non-Executive Directors.	Veronica Branton	October 2018	The organisation chart was circulated on 4 th October 2018.	To close
2. Financial Performance Report	An update on security measures to be included in the Health & Safety Report to the Board.	Al Cameron / Martin Hopcroft	October 2018	Information on security measures and measures being considered is included in October Health and Safety Report. In addition, the full bi-annual report reviewing robbery risks and violence is on the November Board agenda.	To close
3. Funding beyond 2021	Provide the Board with the costs associated with running unprofitable branches.	Al Cameron / Debbie Smith	January 2019.	Added to the agenda for the January Board meeting.	Open
4. FS&T Performance Report					
4. a)	Growth of the insurance business and the investment in marketing related spend to be included as an item on a Board Agenda.	Owen Woodley / Veronica Branton	November 2018	Item included on the November Board agenda. Emma Springham invited to attend.	Open
4. b)	The learnings and next stage of the development of CHUB, including the mails proposition that was due to be launched during the current financial year to be brought back to the Board.	Owen Woodley / Veronica Branton	January 2019	Henk van Hulle and Jeff Smyth will be taking a reworked business case to the Investment Committee before the end of the year and an item has been added to the agenda for the January Board meeting.	Open
6. Banking Framework 2	Consider engaging a third party to test our thinking and proposals on the negotiations, including how the banks might view our proposals.	Debbie Smith / Martin Kearsley	November 2018	Oliver Wyman have been engaged and discussions held. The formal proposal from OW has been received and is being reviewed.	Open
7. Project Edgware	The Board to be briefed prior to signing the contracts.	Debbie Smith / Tom Moran	10 October 2018	Board briefed and contracts signed.	To close

Post Office Limited Board Actions as at 22.10.2018

8. Modern Slavery Act	Change the wording of the statement to refer to due diligence for on boarding but not for the subsequent operation of the business.	Jane MacLeod	October 2018	Wording updated.	To close
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CEO's Report

Author: Paula Vennells Meeting date: 30th October 2018

4

Executive Summary

Context

Our target for 2018/19 is to achieve EBITDAS of £50m. Our areas for future focus will be:

Our key market ambitions

- To remain **number one in letter and parcels**
- To build our position as a major challenger brand in **financial services and telecoms**
- To be **the UK's main provider of cash services** and remain **#1 in travel money**
- To lead the market for **digital identity services**

Our key measures of success

- **Grow our network**, doubling the number in town and city centres
- Become the **partner of choice for convenience retailers**
- Demonstrate **digital innovation in every transaction**
- Deliver **£100m profit** to reinvest in our business and communities

Our five priorities to deliver these outcomes

1. **Simplify** the retailer proposition
2. Build **flexible and secure IT**
3. **Modernise our products and services**
4. **Digitise and optimise** the business
5. **Trust our people** to find the best way to do their jobs and help our customers

Input Sought

The Board is invited to note the report and highlight any issues where a future discussion would be welcome.

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The Report

Looking Back

WHAT HAS GONE WELL?

4

- **Financial Performance**

- P6 revenue was £72.7m, £0.1m adverse to plan in the month. Year on year revenue is +1% P6 and +2% YTD.
- This was driven by strong Retail trading, offset by poor performance in Insurance. There was a one-off YTD catch up of £1.3m included in FS&T for the annual minimum savings commission agreed with BOI, which offsets adverse Telco performance.
- P6 trading showed a profit of £0.6m, £0.4m better than plan, due to the closure of historic FS&T purchase orders in non-staff costs. YTD trading profit of £20.8m is £5.2m ahead of plan, despite the £2.5m telco budget error.
- Overall, we remain ahead of plan with a formal 2018-19 re-forecast underway. The trajectory is challenged by Insurance, Telco customer numbers, Identity re-pricing and H2 IT costs but we expect to deliver budgeted £50m trading profit.

- **Customer Hub**

- The Post Office Travel App was launched on 11th June 2018 and since then has been successfully on-boarding new clients and taking top-ups. The FRES Travel Money Card (TMC) App was retired for new clients on the 13th August 2018 as per the stated intention to move all clients to a single App. We now have c110,000 cards linked to the new app. The first release included features such as TMC top-ups, Travel Insurance quote and buy, and Branch/ATM finder. A currency convertor was launched in July. The next two releases are the introduction of 'mobile first' (i.e. TMC on-boarding) in October and the introduction of mid-term adjustments, renewals and policy documents for existing Travel Insurance customers in December.
- The Innovation team is continuing with the development of the Mails app. There are conversations with the Identity team to build a Post Office Identity app onto Customer Hub, and with the FS team for a Youth product supported by the Hub and Identity.
- Post Office Hub won its first Innovation award as the fastest go-to-market mobile app at an international event in Amsterdam.

- **Reaction to Edgware Announcement**

- We confirmed the transfer of 74 DMBs to WH Smiths. Affected colleagues responded with disappointment but within minutes were serving customers professionally: I am grateful to them. Media interest has been limited. The planned go live date will be end of January 2019. Initial union reaction has been hostile but barely reported outside of their own media channels. We can expect more pick-up in local press over the coming weeks, and further activity as we move in to public consultation.

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• Industrial relations

- We have resolved pay across all sectors (a two year agreement, 0.2% higher than the initial Unite deal). Our new Director of IR has done an excellent job and appears to have gained the confidence of the CWU. We are not complacent and continue to review IA contingency plans, as we approach the Common Issues trial, but at present the threat of industrial action seems low.
- A tri-partite collective agreement was signed with CWU and Unite to launch a new Dignity at Work policy re-affirming our zero tolerance of any forms of discrimination, harassment, victimisation and bullying.

• Awards

We were delighted to learn that three of our 'cohort 4' graduates - Sandy, Bintu and Mohammed - have been shortlisted for a Business Culture award for the work they have done around upskilling colleagues and creating Digital Stars across the network. This was one of the projects the graduates came up with as part of their "what would you do if you were CEO" task last year and we are pleased to see that their hard work and tenacity has paid off. We have also been shortlisted as a finalist for a Diversity and Inclusion award in recognition of all the fantastic work we have done in this space. We will find out if we have been successful at the event in November.

Ben Foat won the In-house Lawyer of the Year Award and the Post Office legal team were finalists in the team category.

• Branch Counter refresh programme

- The understatement of the year: Branch Counter Refresh, new network, new kit, new software, 25,224 counters in 10,327 branches, 4 branches remain. Project is due to complete on 24th October. My admiration and thanks on behalf of the Board, the GE and all our post offices to Rob Houghton and team!

WHAT HAS NOT GONE WELL?**• Potential POI Acquisition**

- Progress has been delayed as a result of the availability of data from Ancile (the major shareholder had an accident and is currently in hospital) so the date has been pushed back to November. We are still being offered early access to their data once available and have the option of making a pre-emptive bid. During the period of delay, we are putting the project structures in place and lining up the specialist resources to support the transaction.

• PCI

- Rob Houghton is heading a joint IT & Business steering group for PCI and is working through a recommendation for the ARC. IT focus is on contract and supplier position for compliance; retail, led by Andy Goddard, is focused on a solution to fit with our emerging payment services strategy.

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Looking Ahead

FUTURE FOCUS

• Communications and Public Affairs

- The Public_Affairs team attended the Conservative, Labour and SNP party conferences in September and October. We met senior stakeholders, including the Chief Executive of the British Chamber of Commerce and the Director of Government Affairs at UK Finance, in order to lay the ground for our public affairs activity around the renegotiation of the banking framework.
- We have launched a pilot brand campaign – called 'The When I Need It Most Office' - across the Midlands region, with London and the SE region to follow next week. The objective of this campaign is to reposition the Post Office in a positively surprising way, highlighting some of the products and services that demonstrate the ways in which we are here for what matters for our customers.

• Bank of Ireland Negotiations

- We engaged in a series of information share sessions in September with more formal negotiations scheduled for October. The information sharing sessions were productive, with an open and honest exchange of information. BOI presented a bearish view of the UK market and wider macroeconomic environment. They also highlighted a number of increasing challenges on the economics for the Post Office book, including the asset & liability mismatch and the lack of returns. A face to face CEOs meeting is now scheduled for 23rd October to follow up. I will update at the Board.

• Race at Work Charter and Ethnicity Pay reporting

- We have worked with BEIS colleagues on Ethnicity Pay Reporting, and on the wider Diversity and Inclusion agenda. To demonstrate our commitment to improving race equality at Post Office, we are an early signatory to the new Race at Work Charter. The Charter (along with 5 calls to action) was also announced on the 11th October in response to findings from the Race Disparity Audit, Race at Work Survey and McGregor-Smith review. In advance of these announcements, we have begun working on collating our internal data in order to review and submit it accordingly.

RISKS OR CONCERNS?

• Group Litigation Order (GLO)

- An update will be provided in the Board meeting.
- Jane MacLeod, Al Cameron, Mark Davies and I met with the Minister and the Permanent Secretary on 17th October to provide an update on the Group Litigation Order (GLO). Jane will provide more detail.

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POST OFFICE LIMITED
BOARDPAGE 1 OF 2
DISCUSSION PAPER

September 2018 (P6) – Financial Performance

Author: Micheal Passmore

Sponsor: Alisdair Cameron

Meeting date: 30 October 2018

Executive Summary

Context

The purpose of this paper is to outline our financial performance in P6. A detailed slide-deck is attached. Forward looking assessments of commercial performance are dealt with in detail in the quarterly business updates.

How did we do in P6?

5.1

£m	Period 6				Year to Date			
	Actual	Budget	Variance	YoY	Actual	Budget	Variance	YoY
Retail	42.1	41.3	0.9	1%	272.0	270.2	1.8	0%
FS&T (incl. Insurance)	25.1	26.3	(1.2)	0%	160.7	166.4	(5.7)	4%
Telco overstatement	0.0	0.4	(0.4)	n/a	0.0	2.5	(2.5)	n/a
Identity	4.6	3.7	0.9	24%	29.7	26.0	3.7	12%
Supply Chain/Other	0.9	1.2	(0.2)	-20%	6.4	7.0	(0.6)	-8%
Total Revenue	72.7	72.9	(0.1)	1%	468.8	472.0	(3.2)	2%
Cost Of Sales	(10.4)	(9.9)	(0.5)	4%	(62.7)	(63.2)	0.5	5%
Net Income	62.4	63.0	(0.6)	1%	406.1	408.8	(2.7)	2%
Agents Pay	(27.7)	(27.9)	0.2	-4%	(175.3)	(178.5)	3.1	-7%
Staff Cost	(14.8)	(14.8)	(0.0)	5%	(93.0)	(91.2)	(1.8)	2%
Non staff Cost	(24.1)	(24.6)	0.5	5%	(146.0)	(151.2)	5.2	4%
FRES	3.8	3.5	0.3	33%	22.3	21.5	0.8	34%
Other Income	1.1	1.0	0.1	483%	6.9	6.2	0.7	310%
Trading Profit	0.6	0.2	0.4	-413%	20.8	15.7	5.2	704%
Network Subsidy Payment	4.6	4.6	0.0	-14%	30.0	30.0	0.0	-14%
EBITDA	5.3	4.8	0.4	21%	50.8	45.7	5.2	48%
Depreciation	(7.9)	(5.5)	(2.4)	n/a	(37.4)	(29.0)	(8.3)	n/a
Interest	(0.7)	(0.5)	(0.2)	50%	(4.2)	(3.2)	(1.0)	104%
Change Spend	(24.4)	(4.7)	(19.7)	234%	(53.0)	(45.4)	(7.7)	10%
Investment Funding	16.9	16.9	0.0	190%	90.0	90.0	0.0	157%
Profit On Asset Sale	0.5	0.0	0.5	-65%	1.3	0.0	1.3	-60%
Profit Before Tax	(10.4)	11.0	(21.4)	-331%	47.6	58.1	(10.5)	111%

P6 revenue was £72.7m, £0.1m adverse to plan in the month. This was driven by strong Retail trading, predominantly offset by poor performance in Travel Insurance. There was a one-off YTD catch up of £1.3m included in FS&T for the annual minimum savings commission agreed with BOI, which offsets the continuing, adverse performance of the Telco business. Overall, underlying revenue was £0.9m adverse in P6 and £3.4m adverse YTD, when you also exclude the Telco budget overstatement.

P6 trading resulted in a profit of £0.6m, £0.4m better than plan. YTD trading profit of £20.8m is £5.2m ahead of plan, despite the £2.5m telco budget error.

PO Insurance trading profit was £1.0m adverse in the period, as Travel insurance volumes have been lower and also the 25% discounted pricing hasn't been as successful as hoped. Overall, P6 sales volumes were 8k (9%) behind budget, of which Travel

POST OFFICE

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insurance accounted for 5k. Travel margins are lower than prior year as a result of the increased discount supporting the summer campaign.

Travel money continues to track behind budget as Travel Money Online sales were 33% short of budget (P5: 28%). Although Travel Money Card shows a 7% positive YoY trend in value terms, this is due to recognising fixed commission on a monthly basis as opposed to at year-end in 17/18. Therefore, underlying Travel Money revenue trend is -2% YoY. Travel Money Card is currently tracking 9% behind YTD sales targets.

Telco customer numbers at end of period were 498,224, down 12,491 on budget, but increased by 517 customers since P5. Underlying ARPU also contributed a £0.2m adverse variance in period. Customers have now been informed of the November price increase.

There is still strong growth in Home Shopping Returns as volumes are +9% to budget and +20% YoY.

Banking services was favourable in period which included a catch up of c. £0.2m relating to the prior period. YTD performance remains favourable predominantly due to growth in auto deposit volume, 58% up YoY.

POCa revenue has continued to recover since the higher price has been triggered.

Verify has continued its strong growth, exceeding budget by £0.5m in the month, and £2.1m YTD. YoY volumes have increased by 123% and are driven by Universal Credit applicants who can now use Verify. Post Office is the market leader in LoA2 (Level of Assurance level 2) with a market share of 53%, which has grown by 10% YoY. The strong YTD performance will be offset after P6 when the new agreement with GDS will be signed, reducing prices by 75%.

Network numbers (August) were 11,566, 66 above the commitment and an increase of 19 YTD. The reduction of 31 from July was driven by 31 temporary closures, 22 re-openings and 13 new network locations.

Borrowing has decreased by £13m YTD, with cash efficiency gains offset by working capital movements. This will be helped in P7 by the receipt of £50m investment funding from BEIS.

YTD Change spend (Capex and Exceptional) was £122.5m, £22.2m more than forecast.

We are finalising our 6+6 profit forecast for 2018-19. While there are still some questions to work through, the overall shape is a trading profit forecast up £1m at £51m. This is after providing £1m centrally for Post Office Insurance: their plan is to hit budgeted trading profit but this feels stretching. As a result, we do not see major alarms in hitting plan this year, although we will need to see Christmas trading before we can forecast with real confidence. That said, if this is the performance we deliver, we will have missed budget in H2. Work on next year's plan has started and was discussed at GE this month.

Conclusion

Overall, we remain ahead of plan for 2018-19, challenged in H2 by Insurance, Telco customer numbers, Identity re-pricing and H2 IT costs.

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5.1



Period 6 FY18/19 Performance Review

30 October 2018



P6 Scorecard

	Period 6				Trend	Year to Date				Full Year Budget
	Actual	Budget	Variance	RAG		Actual	Budget	Variance	RAG	
Deliver Profit										
Total Gross Income (excl NSP) £m	72.7	72.9	(0.1)	○	SS	468.8	472.0	(3.2)	○	965.1
Trading Profit £m	0.6	0.2	0.4	●	SS	20.8	15.7	5.2	●	50.0
Headroom £m (vs Board minimum limit)	258	200	58	●	SS					> £200m
Change benefit delivery £m (WIP)	3.0	2.6	0.4	●	SS	16.9	15.7	1.2	●	40.2
Mails - Total Labels Volume m	12.3	11.7	0.5	●		77.8	77.4	0.3	●	163.4
Mails - Home Shopping Returns Volume m	3.3	3.0	0.3	●		23.7	20.5	3.2	●	45.0
Banking Volume (m)	10.0	9.7	0.3	●		73.0	63.6	9.5	●	130.2
Closing Telecoms Customer Base (#)	498,224	510,715	(12,491)	○						494,823
Grow our Network - Customer										
Number of Branches (mth in arrears)	11,566	11,500	66	●	~					11,500
New Network Branch	8	37	(29)	●		123	150	(27)	●	338
Become the Partner of Choice - Customer										
Ease of Doing Business with (Effort)	83.5%	82.0%	1.5%	●	~	83.0%	82.0%	1.0%	●	82%
No. of Horizon Customer Sessions	39.5	0.0				259.4	0.0			0.0
# of Sev1/Sev2 Incidents	13	8	(5)	●	SS	68	48	(20)	●	< 96
Number of failed SLA's (mth in arrears)	2	3	1	●	SS	24	15	(9)	●	< 36
Actual Incident Volumes	7,841	10,000	2,159	●	SS	61,396	60,000	(1,396)	○	<120,000



P6 Scorecard

	Period 6				Trend	Year to Date				Full Year Budget
	Actual	Budget	Variance	RAG		Actual	Budget	Variance	RAG	
Digital Innovation - Customer										
Trading income from customer Hub (£m) - Budget	0.0	0.1	(0.1)	●	/	0.1	0.6	(0.5)	●	1.2
Trading income from customer Hub (£m) - Revised target	0.0	0.0	(0.0)	○		0.1	0.1	(0.0)	○	0.2
# of Registered customers on app	36,495	31,358	5,137	●		91,325	130,578	(39,253)	●	
# of All Product pages website visits	1,902,366	1,566,274	336,092	●	~	12,945,385	11,210,344	1,735,041	●	20,461,075
Website Conversion ratio	9.9%	10.9%	(1.0%)	●	~	9.8%	10.1%	(0.3%)	○	10.0%
Care for our People										
Line Manager Index ¹	59%	62%	(3%)	○						62%
Female Representation in Senior Roles (3a & above)	40.9%	41.3%	(0.4%)	○	/					43.0%
BAME Representation in Senior Roles (3a & above)	9.5%	9.6%	(0.1%)	○	~					11.1%
Senior Vacancies filled by Internal Talent	N/A	50.0%			~	N/A	50.0%			50.0%
Absence	3.4%	3.3%	(0.1%)	○	~	3.2%	3.3%	0.1%	●	3.3%
Safety LTIFR	0.152	0.200	0.048	●	~	0.200	0.200	0.000	●	0.200

1. Line manager Index calculation is based on the weighted average results

2. Our ambition is to achieve 50% by 2020. Full year target of 43% is based on a linear increase over 3 years; this equates to replacing 16 Males with Females in Year 1 based on 460 population. Discussion to be held over changing Senior Roles to Level 4 and above (population would decrease 250 and female ratio would be 30%).

3. c.14% is the percentage of people in the UK who describe themselves as BAME. (Source: Most recent ONS Census, 2011). Our ambition is to achieve 14% by 2020. Full year target of 11.1% is based on a linear increase over 3 years; this equates to replacing 11 white to BAME in Year 1 based on 460 population. Discussion to be held over



P6 Trading Profit +£0.4m v Budget; YTD +£5.2m

£m	Period 6				Year to Date			
	Actual	Budget	Variance	YoY	Actual	Budget	Variance	YoY
Retail	42.1	41.3	0.9	1%	272.0	270.2	1.8	0%
FS&T (incl. Insurance)	25.1	26.3	(1.2)	0%	160.7	166.4	(5.7)	4%
Telco overstatement	0.0	0.4	(0.4)	n/a	0.0	2.5	(2.5)	n/a
Identity	4.6	3.7	0.9	24%	29.7	26.0	3.7	12%
Supply Chain/Other	0.9	1.2	(0.2)	-20%	6.4	7.0	(0.6)	-8%
Total Revenue	72.7	72.9	(0.1)	1%	468.8	472.0	(3.2)	2%
Cost Of Sales	(10.4)	(9.9)	(0.5)	4%	(62.7)	(63.2)	0.5	5%
Net Income	62.4	63.0	(0.6)	1%	406.1	408.8	(2.7)	2%
Agents Pay	(27.7)	(27.9)	0.2	-4%	(175.3)	(178.5)	3.1	-7%
Staff Cost	(14.8)	(14.8)	(0.0)	5%	(93.0)	(91.2)	(1.8)	2%
Non staff Cost	(24.1)	(24.6)	0.5	5%	(146.0)	(151.2)	5.2	4%
FRES	3.8	3.5	0.3	33%	22.3	21.5	0.8	34%
Other Income	1.1	1.0	0.1	483%	6.9	6.2	0.7	310%
Trading Profit	0.6	0.2	0.4	-413%	20.8	15.7	5.2	704%

Key Themes:

- Retail – favourable due to trading; banking services includes element of prior period catch up
- FS&T – Mainly impacted by one-offs +£1.3m for minimum savings commission catch up offset by (£0.3m) Telco accrued income error adjustment
- PO Insurance adverse by £0.9m – Travel insurance continues to underperform
- Identity – Continued strong growth in Verify volumes driven by universal credit; GDS price decrease from P7
- Cost of sales – catch up of POCa printing costs after DXC advised of undercharging
- Agents Pay - £2.3m of YTD variance relates to initial payments accounted as exceptional
- Staff costs – Of the £1.8m staff cost overrun YTD, £0.9m is a set off with non staff costs (change opex)
- Non staff costs – Favourable in period due to closure of historic FS&T marketing purchase orders



Retail Scorecard

Mails volumes are holding up

	Period 6				Year to Date				Full Year
	Actual	Budget	Variance	RAG	Actual	Budget	Variance	RAG	Budget
Gross Income £m	42.1	41.3	0.9	●	272.0	270.2	1.8	●	568.6
Trading Profit £m	7.9	7.9	0.0	●	62.7	56.5	6.2	●	128.2
Mails - Priority Volume m	0.8	0.8	(0.1)	●	4.8	5.5	(0.6)	●	11.6
Mails - Total Labels Volume m	12.3	11.7	0.5	●	77.8	77.4	0.3	●	163.4
Mails - Click & Collect Volume m	0.3	0.4	(0.1)	●	1.9	1.8	0.1	●	4.1
Mails - Home Shopping Returns Volume m	3.3	3.0	0.3	●	23.7	20.5	3.2	●	45.0
Banking All Transactions Volume m	10.0	9.7	0.3	●	73.0	63.6	9.5	●	130.2
Ease of Doing Business with (Effort)	83.5%	82.0%	1.5%	●	83.0%	82.0%	1.0%	●	82.0%
Number of Branches (mth in arrears)	11,566	11,500	66	●					11,500
NNL Builds	8	37	(29)	●	123	150	(27)	●	338



Retail: P6 Trading Profit consistent with budget; YTD +£6.2m

Favourable revenue driven by trading; POCa cost of sales catch up

£m	Period 6				YTD			
	Actual	Budget	Variance	YoY	Actual	Budget	Variance	YoY
Mails Trading	20.5	20.2	0.3	6%	133.0	133.7	(0.7)	4%
Mailwork	0.8	0.8	(0.0)	0%	5.0	5.0	(0.0)	0%
Mails Other	0.0	0.0	0.0	n/a	1.5	0.0	1.5	n/a
RM Annual Fee	3.6	3.5	0.1	-7%	23.3	22.5	0.8	-7%
Gift Cards	0.3	0.4	(0.1)	16%	1.9	2.1	(0.2)	12%
Lottery	2.4	2.1	0.3	-1%	15.2	13.6	1.6	-3%
POCa	2.7	2.5	0.2	-20%	15.5	15.9	(0.5)	-27%
Payment Services	1.8	1.8	(0.0)	-9%	11.9	12.3	(0.4)	-10%
ATMs	2.2	2.4	(0.1)	-2%	14.6	15.5	(1.0)	-6%
Banking Services	7.6	7.2	0.4	14%	48.4	47.4	1.0	14%
Other Retail	0.2	0.3	(0.1)	-68%	1.6	2.1	(0.5)	-59%
Total Revenue	42.1	41.3	0.8	1%	272.0	270.2	1.8	0%
Cost Of Sales	(2.1)	(1.7)	(0.4)	-10%	(10.9)	(10.9)	0.0	-23%
Net Income	40.0	39.6	0.5	2%	261.1	259.3	1.8	1%
Agents Pay	(23.3)	(23.2)	(0.1)	-18%	(147.4)	(149.9)	2.4	-20%
Staff Costs	(6.2)	(5.8)	(0.4)	1%	(39.2)	(38.0)	(1.2)	6%
Staff & Agent Related Costs	(0.1)	(0.2)	0.0	171%	(1.1)	(1.2)	0.1	24%
Brand & Marketing	(0.5)	(0.2)	(0.3)	-72%	(0.9)	(1.1)	0.2	-46%
Consultancy & Advisory Services	0.0	(0.0)	0.0	3985%	(0.2)	(0.2)	(0.0)	-79%
IT Infrastructure & IT Services	(0.5)	(0.2)	(0.3)	-87%	(1.9)	(1.0)	(0.9)	-88%
Managed Services - Penalties	(0.4)	(0.4)	0.0	-100%	(2.4)	(2.4)	(0.0)	-100%
Postage	(0.4)	(0.5)	0.1	-56%	(3.2)	(3.2)	0.0	-59%
Finance & Losses	(1.2)	(1.3)	0.0	-7%	(6.7)	(7.9)	1.2	4%
Change Opex	0.0	(0.4)	0.4	n/a	0.0	(2.4)	2.4	n/a
Other	(0.5)	(0.4)	(0.1)	-38%	(2.4)	(1.9)	(0.5)	-23%
Other Income	1.1	1.0	0.1	n/a	6.9	6.2	0.7	n/a
Trading Profit	7.9	7.9	0.0	n/a	62.7	48.6	6.2	n/a

- ① POCa revenue continues to recover due to lower account volumes.
- ② Includes prior period catch up amount of £0.2m. YTD performance favourable driven by +4.2m auto deposit volumes to budget.
- ③ Crystallisation of risk identified in previous months. DXC billing catch up (were previously undercharging for POCa statement print costs)
- ④ £1.9m of YTD variance relates to initial payments. Remainder driven by reduced mails volumes, partially offset by increased banking volumes.
- ⑤ £0.8m YTD staff budget is included in change OpEx, £0.3m is for FS specialists in branch, which is no longer expected.

Staff Var	P6	YTD
Underlying Staff Var	(0.1)	(0.1)
Eagle (FS Specialists)	(0.0)	(0.3)
Prog Opex	(0.2)	(0.8)
TOTAL	(0.4)	(1.2)

- ⑥ £0.8m of YTD staff costs, £0.6m of YTD IT costs and £0.2m other costs are budgeted as change opex.



FS&T Scorecard

Telco and Travel Money under pressure

	Period 6				Year to Date				Full Year
	Actual	Budget	Variance	RAG	Actual	Budget	Variance	RAG	Budget
Value of Mortgage Applications (£m)	215	316	(101)	●	1,001	1,366	(365)	●	3,050
Value of Mortgage Completions (£m)	98	221	(123)	●	464	956	(492)	●	2,135
Total value of Savings balances (£m)	14,224	14,100	124	●	14,224	14,100	124	●	TBC
Number of new Credit Card applications	5,775	7,044	(1,269)	●	33,406	45,784	(12,378)	●	91,568
Credit Card application accept rate	74%	58%	16%	●	73%	58%	16%	●	58%
Number of new Loan applications	4,843	5,404	(561)	●	39,378	35,128	4,250	●	71,608
Loan application accept rate	51%	58%	(6%)	●	57%	58%	(0%)	●	58%
Travel Money Avg Trans. Value	293	266	27	●	293	266	27	●	266
Number of MoneyGram Send transactions	201,871	215,057	(13,186)	●	1,357,845	1,384,868	(27,023)	●	2,895,484
Closing Telecoms Customer Base (#)	498,224	510,715	(12,491)	●	498,224	510,715	(12,491)	●	494,823
Telecoms ARPU	24.4	25.5	(1.1)	●	24.7	25.5	(0.8)	●	27.1
Telecoms Customer Churn	(16.8%)	(15.7%)	(1.1%)	●	(20.2%)	(17.4%)	(2.8%)	●	(17.8%)
Net Telecoms customer additions	517	1,913	(1,396)	●	(8,351)	11,302	(19,653)	●	(4,590)
Number of Postal Orders sold	213,999	214,638	(639)	●	1,431,125	1,455,764	(24,639)	●	2,800,000

FS&T: P6 Trading Profit +£1.5m favourable to budget; YTD (£0.6m)

Travel money and Telephony continue to track below budget due to lower value of sales and reduced customer numbers



£m	Period 6				YTD			
	Actual	Budget	Variance	YoY	Actual	Budget	Variance	YoY
PO Money (Savings,Loans)	4.5	3.2	1.3	① 22%	22.6	21.1	1.5	1%
Travel Money	2.5	3.3	(0.8)	② 4%	16.1	18.1	(2.0)	8%
MoneyGram	2.0	2.1	(0.1)	-16%	13.1	13.0	0.1	-3%
Telephony	11.2	12.0	(0.8)	③ -7%	74.5	77.4	(2.9)	6%
Telephony Overstatement	0.0	0.4	(0.4)	n/a	0.0	2.5	(2.5)	n/a
Postal Orders	1.0	0.9	0.0	-10%	6.5	6.0	0.4	④ -14%
Total Revenue	21.3	22.0	(0.7)	1%	132.8	138.0	(5.3)	0%
Cost Of Sales	(7.0)	(7.1)	0.2	4%	(43.6)	(45.3)	1.6	10%
Net Income	14.3	14.9	(0.6)	2%	89.1	92.8	(3.6)	1%
Agents Pay	(3.8)	(4.1)	0.3	n/a	(22.9)	(23.8)	0.9	⑤ n/a
Staff Costs	(1.0)	(0.8)	(0.1)	-13%	(5.4)	(4.8)	(0.6)	5%
Staff & Agent Related Costs	(0.0)	(0.1)	0.0	-104%	(0.3)	(0.2)	(0.1)	-21%
Brand & Marketing	(0.1)	(1.2)	1.0	⑥ 265%	(4.1)	(4.7)	0.6	-17%
Consultancy & Advisory Services	(0.2)	(0.3)	0.1	72%	(1.1)	(2.0)	1.0	-71%
IT Infrastructure & IT Services	(0.0)	(0.1)	0.1	309%	(0.3)	(0.5)	0.2	138%
Managed Services	(1.9)	(2.3)	0.4	⑦ -14%	(12.8)	(13.7)	0.9	-9%
Postage	(0.2)	(0.2)	0.0	86%	(1.5)	(1.5)	(0.1)	31%
Finance & Losses	(0.3)	(0.2)	(0.1)	108%	(1.8)	(1.6)	(0.3)	15%
Other	(0.0)	0.0	(0.0)	-18%	(0.2)	0.1	(0.2)	52%
FRES	3.8	3.5	0.3	33%	22.3	21.5	0.8	34%
Trading Profit	10.5	9.0	1.5	n/a	60.9	61.5	(0.6)	n/a

- ① Minimum full year savings commission agreed (£40m) with BOI; YTD catch up of £1.3m posted in P6.
- ② Travel money underperformance due to continued poor market trend. £0.1m revenue for Travel Hub included in P6 budget. YoY position is overstated as we started to account £3m annual fixed commission on a monthly basis as opposed to last month in 17/18. (YTD -2%)
- ③ Telephony revenue includes -£0.3m accrued income error adjustment. Underlying -£0.5m adverse variance due to increasing customer gap.
- ④ Postal Orders volumes down on budget YTD but income favourable due to higher values.

- ⑤ YTD agents pay favourable variance driven by lower volumes in Travel money and Moneygram. £0.3m relates to initial payments.
- ⑥ £0.5m marketing purchase orders closed as part of GRNI review. Remainder of variance due to timing of marketing spend against budget.
- ⑦ Favourable due to reduced Telco galaxy customer numbers and capitalisation of Technology refresh project costs.



Telephony Analysis

Customer gap is expanding; potential YTG risk of c. £320k

	P1	P2	P3	P4	P5	P6	YTD
Actual							
end of period customer	502,996	501,222	499,367	498,429	497,707	498,224	
Avg. customer	504,785	502,109	500,295	498,898	498,068	497,966	1,000,936
ARPU	25.7	23.7	25.0	24.5	25.2	24.4	24.7
Revenue	14,939,259	10,976,713	11,518,232	14,079,313	11,535,746	11,180,403	74,229,667
P1 impact (adjusted in P2, P4)	(754,000)	600,000	0	177,889	0	0	23,889
Accrued Income adjustment						300,000	300,000
Underlying Revenue	14,185,259	11,576,713	11,518,232	14,257,202	11,535,746	11,480,403	74,253,556
Underlying ARPU	24.4	25.0	25.0	24.8	25.2	25.0	24.7
Budget							
end of period customer	501,588	502,652	504,617	507,026	508,802	510,715	
Avg. customer	498,205	502,120	503,635	505,821	507,914	509,758	1,008,757
ARPU	25.6	26.5	26.5	26.6	26.4	26.4	26
Revenue	14,696,979	12,246,631	12,275,725	15,456,042	12,357,584	12,374,307	79,407,268
Impact in budget	(432,499)	(360,174)	(375,550)	(488,817)	(406,504)	(421,872)	(2,485,415)
Restated Revenue	14,264,480	11,886,457	11,900,176	14,967,225	11,951,080	11,952,435	76,921,853
Restated ARPU	24.9	25.7	25.7	25.7	25.6	25.5	25.4
Underlying customer Gap	1,408.0	(1,430.2)	(5,250.0)	(8,596.9)	(11,094.7)	(12,491.0)	(7,821.4)
Underlying ARPU Gap	0.8	(2.0)	(0.7)	(1.2)	(0.4)	(1.1)	(0.7)
Underlying Revenue gap	(79,221)	(309,744)	(381,943)	(710,022)	(415,334)	(472,032)	(2,368,297)
o/w volume	40,314	(33,857)	(124,050)	(254,381)	(261,056)	(292,880)	(925,909)
o/w rate	(119,535)	(275,887)	(257,893)	(455,642)	(154,278)	(179,152)	(1,442,388)

P6 gap predominantly from volume – c. 12k customer gap (£290k)

YTD gap predominantly from rate – c. £1.4m

YTG risk of c. £320k based on underlying customer gap at P6 and restated budget ARPU (12,491 x £25.5)

Planned pricing increase in November to mitigate ARPU could accelerate the widening customer number gap

PO Insurance Scorecard



	Period 6				Year to Date				Full Year
	Actual	Budget	Variance	RAG	Actual	Budget	Variance	RAG	Budget
Policies Sold: Post cooling off period (k)	87	95	(8)	●	632	653	(21)	○	997
Policies Renewed (k)	21	23	(2)	●	144	146	(2)	○	275
Policies In-Force "live" (k)	689	707	(18) *	○					684
Net Promotor Score (Post Office Insurance)	36	36	0	●					36

* Policies in-Force variance shows lower figure than total variances of policies sold and renewed as the policies cancelled mid-term is doing better than expected by 5k.

PO Insurance: P6 Trading Profit (£1.0m) adverse to budget; YTD (£1.1m)

Travel insurance continues poor performance



£m	Period 6				YTD			
	Actual	Budget	Variance	YoY	Actual	Budget	Variance	YoY
Travel Insurance	1.4	2.2	(0.7)	16%	11.4	14.4	(3.0)	19%
Car Insurance	0.9	0.8	0.0	-4%	5.5	5.2	0.3	-9%
Van Insurance	0.2	0.2	0.0	-3%	1.3	1.2	0.1	5%
Home Insurance	0.7	0.8	(0.1)	-3%	4.7	4.9	(0.2)	3%
Life - Over 50s	0.4	0.5	(0.1)	35%	3.5	3.7	(0.2)	42%
Life - SLI	0.2	0.2	(0.1)	51%	1.1	1.2	(0.1)	23%
Other Insurance	0.1	0.0	0.0	3%	0.3	0.1	0.2	1%
Total Revenue	3.8	4.7	(0.9)	1%	27.9	30.8	(2.9)	0%
Cost Of Sales	(0.7)	(0.7)	(0.0)	7%	(5.1)	(4.5)	(0.6)	18%
Net Income	3.1	4.0	(0.9)	2%	22.9	26.3	(3.5)	1%
Staff Costs	(0.5)	(0.6)	0.1	-77%	(3.2)	(3.7)	0.5	-40%
Brand & Marketing	(0.6)	(0.6)	(0.1)	-57%	(2.9)	(4.1)	1.2	-36%
Consultancy & Advisory Services	(0.2)	(0.1)	(0.1)	-211%	(0.5)	(0.4)	(0.2)	-38%
IT Infrastructure & IT Services	(0.3)	(0.2)	(0.1)	-42%	(1.0)	(1.1)	0.1	-2%
Managed Services	(0.7)	(0.8)	0.0	3%	(4.8)	(5.1)	0.3	5%
Other	(0.1)	(0.2)	0.1	85%	(0.6)	(1.0)	0.4	30%
Trading Profit	0.7	1.6	(1.0)	n/a	9.9	10.9	(1.1)	n/a

- ① P6 income underperformance on Travel of insurance driven by:
- £0.1m from Customer Hub sales running at 20% of plan
 - £0.1m from not rolling out Spixii – chatbot technology – due to pilot producing no benefit
 - £0.2m from not initiating additional marketing activity in the absence of confidence in achieving required returns on investment
 - £0.1m from impact of summer campaign – lower volumes and greater than planned use of 25% discount
 - £0.1m from delayed implementation of price optimisation
 - £0.1m from impact of reduced market demand for Travel Insurance – down c. 5% year-on-year

Identity Scorecard

Strong UKVI and LoA2 volumes



	Period 6				Year to Date				Full Year
	Actual	Budget	Variance	RAG	Actual	Budget	Variance	RAG	Budget
Gross Income £m	4.6	3.7	0.9	●	29.7	26.0	3.7	●	47.3
Trading Profit £m	2.5	2.2	0.3	●	17.8	15.0	2.8	●	0.0
Paper Passport Volumes	97,520	66,653	30,867	●	989,738	775,926	213,812	●	1,325,118
Paper Passport Market Share					31%	28%	3%	●	26%
UKVI Volumes	56,161	36,376	19,785	●	294,123	240,071	54,052	●	402,998
Secure Collect Volumes	63,303	67,280	(3,977)	●	173,978	168,055	5,923	●	301,080
Tax Renewal volumes	592,037	582,776	9,261	●	3,871,573	3,719,619	151,954	●	6,957,814
10yr Renewal Volumes	27,252	29,805	(2,553)	●	164,743	189,397	(24,654)	●	289,504
Service Penalties £	29,876	41,000	(11,124)	●	245,537	246,000	(463)	●	500,000
LoA 2 Volumes	54,364	25,220	29,144	●	325,532	216,207	109,325	●	390,408
LoA 2 Market Share	53%	50%	3%	●	53%	50%	3%	●	50%
LoA 2 Conversion rate	53%	55%	(2%)	●	54%	55%	(1%)	●	55%
LoA 1 Volumes	5,319	12,395	(7,076)	●	38,616	73,856	(35,240)	●	180,211
LoA 1 Market Share	29%	40%	(11%)	●	32%	40%	(8%)	●	40%
LoA 1 Conversion rate	75%	74%	1%	●	74%	74%	0%	●	74%
Re-Registration Volumes	0	1,311	(1,311)	●	16,659	8,557	8,102	●	30,790
Services Live	18	20	(2)	●	18	20	(2)	●	20

Identity: P6 Trading Profit £0.3m favourable to budget; YTD +£2.8m

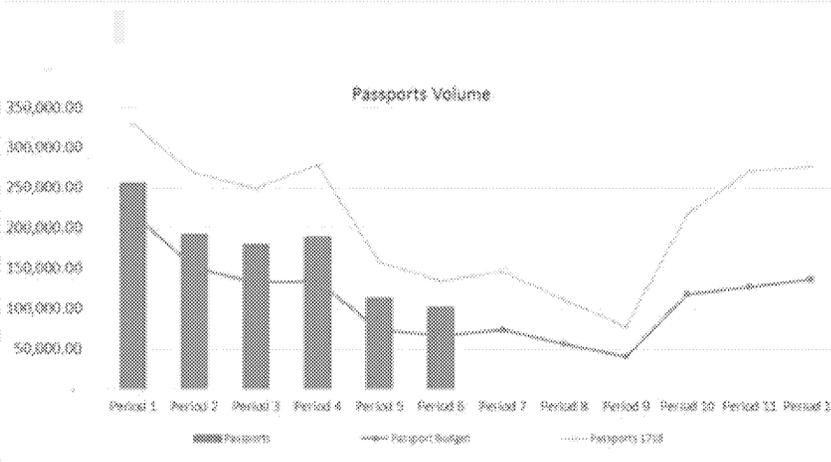
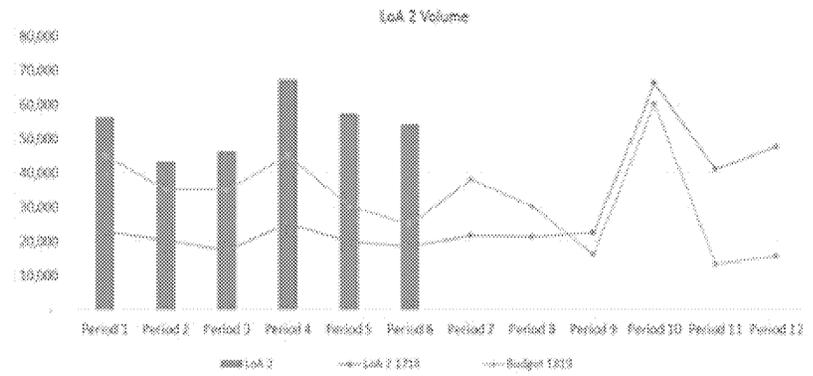
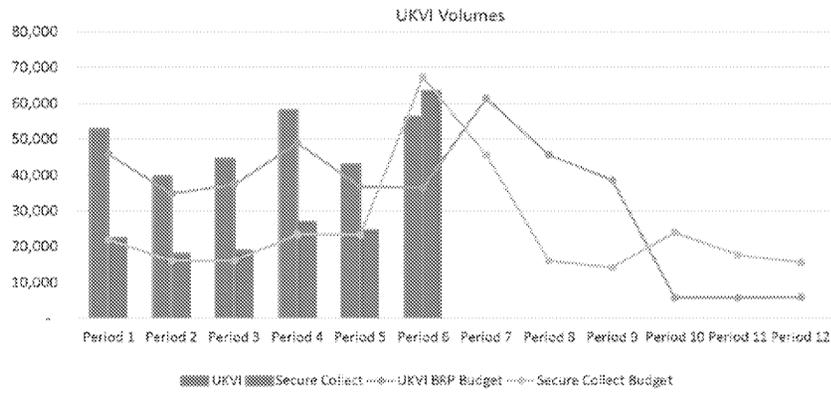
Verify continues strong growth but YTD favourable variance to be eroded by price decrease



£m	Period 6				YTD				
	Actual	Budget	Variance	YoY	Actual	Budget	Variance	YoY	
Home Office	2.2	1.9	0.3	1	-6%	14.2	13.1	1.1	-16%
DFT/DLA	0.5	0.5	0.0		3%	3.5	3.5	0.1	-5%
Identity Services	0.5	0.4	0.1		34%	2.7	2.4	0.3	31%
Verify	1.4	0.9	0.5	2	n/a	8.5	6.4	2.1	3
Environment Agency	0.1	0.0	0.0		52%	0.7	0.6	0.2	28%
Total Revenue	4.6	3.7	0.9		1%	29.7	26.0	3.7	0%
Cost Of Sales	(0.6)	(0.4)	(0.2)		103%	(3.2)	(2.5)	(0.7)	71%
Net Income	4.0	3.3	0.7		2%	26.5	23.4	3.0	1%
Agents Pay	(0.6)	(0.6)	(0.1)		n/a	(6.0)	(4.8)	(0.2)	n/a
Staff Costs	(0.2)	(0.2)	0.1		-62%	(1.0)	(1.1)	0.1	-94%
Managed Services - Penalties	(0.0)	(0.1)	0.0		0%	(0.3)	(0.4)	0.1	0%
Postage	(0.5)	(0.1)	(0.4)	4	-64%	(1.9)	(1.5)	(0.4)	11%
Other	(0.1)	(0.1)	0.0		102%	(0.5)	(0.7)	0.1	27%
Trading Profit	2.5	2.2	0.3		11%	17.8	15.0	2.8	9%

- ① UKVI BRP volumes have been strong in P6. This was expected in both P6 and P7 due to student admissions. There is a risk increased P6 volumes relates to both months and these will be monitored closely in P7.
- ② LoA2 volumes continue to be above budget by 51% YTD. YoY volumes have increased by 123% and are driven by Universal Credit applicants who can now use Verify. Post office is the market leader in LoA2 with a market share of 53% which has grown by 10% YoY.
- ③ The strong YTD performance will be offset after P6 when the new agreement with GDS will be signed. GDS have provided updated pricing tiers in accordance with the saving targets of 75% from Treasury. Discussions are in place with our supplier Digidentity regarding the current pricing of the Verify product, as well as the launch of our Digital Identity MVP which will be the future income generator for Identity Services.
- ④ Overspend relates to backdated charges from Royal Mail which have been accrued but are being challenged.

Identity: Home office & Verify volumes



- UKVI upside in P6 is attributed to the student surge period (Sept- Oct) and the early effects of Brexit. This will be monitored in P7 as there is the risk that the majority of student volumes came through in P6 and volumes will cool down in P7 making this a one off event.
- Passport YTD Volumes are higher than budget 4%, but due to them coming from our Paper Channel rather than both Digital and Paper our overall income is flat (due to £4 price difference). YoY volumes have dropped by (30%). PO market Share YTD is 31% (YoY/YTD drop (10%)). DC&S has launched in P7 and we will monitor any channel and Market share shift
- LoA 2 volumes are trending at 121% of Budget driven by the roll out of Universal Credit. YoY volumes are up by 50% (325k accounts in H1). Volumes are project to grow compared to budget in H2 but the significant price reduction will shrink considerably the Net margin by from £16 to an average of £4 in H2

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Finance & Operations: P6 Trading Profit (£0.2m) adverse to budget; YTD (£1.6m)



£m	Period 6				YTD			
	Actual	Budget	Variance	YoY	Actual	Budget	Variance	YoY
Revenue	0.7	0.9	(0.2) ^①	-26%	4.7	5.2	(0.6)	-9%
Cost Of Sales	0.0	0.0	0.0	n/a	0.1	0.0	0.1	n/a
Net Income	0.7	0.9	(0.2)	2%	4.8	5.2	(0.4)	1%
Staff Costs	(4.4)	(4.3)	(0.1)	-5%	(25.7)	(25.6)	(0.0)	-3%
Staff & Agent Related Costs	(0.2)	(0.2)	(0.0)	-43%	(1.4)	(1.3)	(0.1)	-1%
Property & Facilities Management	(2.3)	(3.2)	0.8 ^②	23%	(17.8)	(19.0)	1.2 ^③	14%
Postage	(0.5)	(0.5)	(0.0)	-11%	(3.6)	(3.5)	(0.1)	-12%
Stationary	(0.6)	(0.3)	(0.3)	-41%	(2.7)	(1.8)	(0.9)	-21%
Finance & Losses	(0.4)	(0.8)	0.4	29%	(4.7)	(4.6)	(0.0)	-26%
Vehicles	(0.2)	(0.3)	0.1	16%	(1.5)	(1.8)	0.3	11%
Other	(0.2)	0.6	(0.8) ^④	245%	(3.0)	(1.5)	(1.5)	-6%
Trading Profit	(8.2)	(8.0)	(0.2)	-5%	(55.5)	(53.9)	(1.6)	1%

- ① Warehousing revenue budget based on pre discount amount; rate card reduction of 8.5% was agreed last year, hence £0.4m adverse to plan YTD. Bank note distribution is down, less notes are being circulated and CViT/CC are under performing in general.
- ② £0.5m release on rent review accruals; BNP performed a review with the surveyors and there were properties where a rent increase cannot be backdated. Also £0.2m transfer to capex in period.
- ③ £0.6m of YTD variance relates to provision for onerous lease.
- ④ Cost challenge included in P6 budget relating to closure of aged purchase orders. Exercise to review and challenge all purchase orders over 6 months old is planned.



Operating expenses: IT

IT	Period 6				YTD			
	Actual	Budget	Variance	YoY	Actual	Budget	Variance	YoY
Staff Costs	0.5	0.5	0.0	(25%)	2.9	3.0	0.1	(31%)
Staff & Agent Related Costs	0.0	0.0	0.0	7%	0.2	0.3	0.1	(81%)
IT Infrastructure & IT Services	6.6	7.6	1.0	1%	42.5	46.0	3.6	12%
Managed Services	0.1	0.2	0.1	310%	2.0	1.8	(0.2)	19%
Consultancy & Advisory Services	0.2	0.1	(0.0)	(48%)	0.8	0.6	(0.2)	(78%)
Other	0.0	(0.6)	(0.6)	537%	0.0	(1.8)	(1.8)	184%
Total Operating Expenses	7.4	7.8	0.4 ①	4%	48.3	50.0	1.6 ②	8%

- ① P6 consistent with prior periods as savings banked earlier than expected. £0.11m Accenture BO costs transfer correction to projects, £0.15m Verizon old PO closures, £0.06m Security SOC programme delay.
- ② YTD favourable variance of £1.6m to be re-forecast to cover part of cost challenge in CIO IT budget
- £0.45m underspent in licences
 - £0.5m Security SOC programme delayed
 - £0.5m BT credit for Networks offset by higher run rate than budget
- This is expected to be utilised against future costs that will be incurred. Other staff cost savings due to vacancies being filled later and recovery of CTO architect resources from projects. ATOS incremental YTD volumetrics -£0.5m.



Operating Expenses: HR, Communications, LRG, Central

HR staff costs in period and YTD variances resulting from incentive payments

HR	Period 6				YTD			
	Actual	Budget	Variance	YoY	Actual	Budget	Variance	YoY
Staff Costs	1.1	1.5	0.4 ¹	51%	9.2	8.8	(0.5) ²	0%
Staff & Agent Related Costs	0.2	0.2	0.1	218%	1.1	1.3	0.3	15%
Finance & Losses	0.3	0.3	(0.0)	(46%)	1.6	1.6	(0.0)	(36%)
Other	0.0	0.1	0.0	165%	0.4	0.4	0.0	17%
Total Operating Expenses	1.6	2.1	0.5	53%	12.3	12.1	(0.2)	(3%)

¹ Reduction of FY18/19 bonus accrual to reflect quarterly CSC and ASM payments made in P5.

² YTD remains adverse due to unbudgeted one-off incentive payment and prior year under accrual.

LRG	Period 6				YTD			
	Actual	Budget	Variance	YoY	Actual	Budget	Variance	YoY
Staff Costs	0.6	0.6	0.0	(29%)	3.4	3.5	0.0	(22%)
Staff & Agent Related Costs	0.0	0.0	0.0	(254%)	0.1	0.3	0.2	57%
Consultancy & Advisory Services	0.2	0.0	(0.2)	(69%)	0.4	0.4	(0.0)	(3%)
Legal Costs	0.1	0.1	0.1	480%	0.6	0.8	0.3	85%
Other	0.0	0.1	0.1	(87%)	0.3	0.4	0.0	(65%)
Total Operating Expenses	0.9	0.9	0.0	(8%)	4.8	5.4	0.6	(10%)

Communications	Period 6				YTD			
	Actual	Budget	Variance	YoY	Actual	Budget	Variance	YoY
Staff Costs	0.2	0.2	0.0	(21%)	0.9	0.9	0.0	(10%)
Staff & Agent Related Costs	0.0	0.0	0.0	(27%)	0.1	0.0	(0.0)	69%
Brand & Marketing	0.2	0.4	0.2	104%	1.6	2.0	0.4	(10%)
Other	0.0	(0.1)	(0.1)	(179%)	0.1	(0.4)	(0.5)	(84%)
Total Operating Expenses	0.4	0.5	0.1	27%	2.7	2.6	(0.1)	(11%)

Central	Period 6				YTD			
	Actual	Budget	Variance	YoY	Actual	Budget	Variance	YoY
Staff Costs	0.3	0.3	0.0	(37%)	1.9	1.9	(0.0)	(27%)
Finance & Losses	(0.0)	0.2	0.2	27841%	(0.8)	(1.0)	(0.2)	(29%)
Growth Fund	0.8	0.8	0.0	(100%)	4.8	4.8	(0.0)	(100%)
Brand & Marketing	0.8	0.2	(0.5)	n/a	1.0	0.5	(0.6)	(49%)
Other	1.0	0.0	(1.0)	54%	1.4	0.1	(1.3)	236%
Total Operating Expenses	2.9	1.6	(1.3)	(32%)	8.3	6.2	(2.1)	(26%)



Change Spend

YTD spend is overall on track with latest forecast but with key variances in individual projects in Retail, POI, Identity & IT.

	Period 6		Q2	YTD		Benefits	
	Actual	Vs Forecast		Actual	Actual	Vs Forecast	YTD Actual
Retail	22.0	13.9	27.0	43.5	(4.6)	6.5	0.9
Mails Programmes	0.1	(0.2)	0.1	0.4	(0.4)	-	-
Cash & Banking Services	-	-	-	-	(0.3)	-	-
Bill Payments Projects	0.4	(0.3)	0.9	2.1	(0.9)	1	-
Automation	0.1	(0.2)	0.2	1.4	(0.4)	-	-
DMB	16.2	14.4	4	16.9	21.7	(0.1)	5.7
Network Development	1.1	(1.0)	3.4	7.1	(1.4)	2	0.8
Network Transformation	3.2	1.6	3.7	7.3	0.3	-	-
Other Retail	0.8	(0.3)	1.7	3.5	(1.4)	3	-
Financial Services & Telecoms	0.5	(1.3)	7.0	11.6	1.5	7.5	0.6
Eagle	0.4	0.3	0.5	0.5	0.1	-	-
Telecoms	0.2	(0.4)	2.2	5.0	0.5	7.4	0.9
Other	(0.2)	(1.1)	4.2	6.0	0.9	13	(0.3)
POI	4.0	1.9	5.0	5.2	1.7	6	(0.8)
Identity	0.1	(1.0)	0.4	1.0	(1.8)	7	-
IT & Digital	8.3	(0.7)	28.9	46.6	4.1	1.2	0.6
EUC Branch Deployment	(0.1)	(2.2)	7.3	11.0	1.8	12	0.4
IT Back Office	2.4	0.2	6.4	11.2	0.9	8	-
IT Networks	(0.0)	(0.0)	(0.8)	(0.5)	(0.9)	13	-
Other IT	0.9	(1.4)	4.4	4.8	(1.3)	12	0.1
Project Everest	3.0	3.0	3.7	5.2	3.1	9	(0.2)
R&R	0.2	(0.3)	4.0	5.8	2.0	12	-
Replacement of Counter Receipt Slip Printers	1.5	0.5	2.0	4.8	(0.7)	13	0.3
Solar	0.4	(0.6)	1.9	4.2	(0.7)	10	-
Finance & Ops	0.8	(0.3)	2.5	3.0	(1.0)	-	-
Finance	0.1	(0.0)	0.5	1.1	0.1	-	-
Operations	(0.1)	(0.6)	1.0	1.0	(0.8)	13	-
Property	0.6	0.2	0.9	1.0	(0.2)	-	-
Supply Chain	0.2	0.2	0.0	(0.1)	(0.1)	-	-
Human Resources	0.2	(0.4)	1.5	2.3	(1.0)	11	1.8
Legal Risk & Governance	1.2	(0.5)	6.7	8.5	(0.3)	-	-
Central	0.8	0.6	0.8	0.8	0.4	-	-
Grand Total	37.9	12.3	79.8	122.5	(1.0)	16.9	1.2
Anticipated savings or slippages to FY19/20		7.7			23.2		
Total Change FY 2018/19	37.9	20.0	79.8	122.5	22.2	16.9	1.2
o/w							
Capex	13.5	(2.0)	43.8	69.5	4.1		
Exceptional	24.4	22.0	36.0	53.0	18.1		

Key Variances

1	Underspend is due to slower than expected progression of various small projects relating to new types of payments. There are also delays in projects PCI compliance and Smart Metering.
2	Key driver for Network Development's underperformance continues to be the reduced activity in press releases and marketing.
3	Underperformance is mainly driven from i)Branch Opening Hours project delayed termination due to change of projects scope generating more staff cost but lower termination & signage cost - project will be closing later than expected but with overall savings & ii) EUM project underspend as programme continues to catch up with original phasing - a revised approach and a project extension has been discussed to be submitted with a project extension to Jan 2019.
4	Overspend in period is caused by Onerous Contracts provision accounting treatment finalised in month but forecasted earlier in the financial quarter.
5	Project Galaxy delivers more than expected benefits as less than expected customers have taken free broadband product or opted out in home phone offer.
6	Overspend is driven by payment to Accenture for Project Cronus and Nemesis within the period - costs will be normalized in the rest of the year to bring the spend back to the initial forecasted view.
7	Underspend relates to the wider Identity Business case submission being rescheduled for mid October rather than August according to the original planning after the GDS price changes.
8	Project is delayed until January due to defects in the cash forecasting solution, coupled with risk if full solution rolled over during change freeze period.
9	Overspend relates to ASM Restructuring Credit payment committed to in month, ahead of forecast with an overall increase in project's cost updated in 6+6 forecast.
10	Solar monthly development run rate slightly lower than forecast, with underspend likely to build through the year.
11	Underspend relates to delays in mobilisation of projects Culture Change and Fit & Proper.
12	Variance is phasing related and have no overall impact in the delivery of the project.
13	Variance is related to PO's reconciliation with costs recognized in month and have no overall impact in the delivery of the project.



Cash Holding Position

	Previous Year	Finance Year end	Reporting Period	Variances	
	Period 6 FY-17/18	Period 12 FY-17/18	Period 6 FY-18/19	Previous Year	Year End
Network Cash (before Demonet.)					
Branch					
£ Cash Holdings	548.1	543.2	483.5	(64.6)	(59.7)
FX Cash Holdings	103.9	60.0	82.0	(21.9)	22.0
Total in Branch	652.0	603.2	565.5	(86.5)	(37.7)
Cash Centres					
Inward Rems	82.0	21.2	53.1	(28.9)	31.9
Outward Rems in Transit	40.5	55.2	28.9	(11.6)	(26.3)
Machine Room - Awaiting Processing	54.3	35.4	14.4	(39.9)	(21.0)
Old £1 Coins	4.4	1.1	0.4	(4.0)	(0.7)
Total in Cash Centres	181.2	112.9	96.8	(84.4)	(16.1)
Total - Buffer (cash centres)	118.2	134.5	65.5	(52.7)	(69.0)
Total Other	44.1	31.2	27.4	(16.7)	(3.8)
Network Cash (before Demonet.)	995.5	881.8	755.2	(240.3)	(126.6)
Funding Position					
- Cash Available to Treasury	7.0	0.4	0.6	(6.4)	0.2
- Government Loan	(714.0)	(623.0)	(692.0)	22.0	(69.0)
- NRF Usage	(189.0)	(237.6)	(156.6)	32.4	81.0
- WC Funding Network Cash	(99.5)	(21.6)	92.8	192.3	114.4
Net Funding Position	(995.5)	(881.8)	(755.2)	240.3	126.6

① First time branch cash holdings reduced below £500m.

② Loan usage is higher than normal as we haven't received £50m Q2 investment funding from UKGI yet.

Quarterly Delivery Report and Funding Request

Author: Cem Oztoprak

Sponsor: Alisdair Cameron

Date: 30 October 2018

Executive Summary

Context

As part of our funding agreement, the Board has to approve a quarterly report and request investment funding. The Board approved £35m for Q1 and £50m for Q2, with all the funds received.

5.2

Questions this paper addresses

1. What was Q2 change portfolio spend?
2. How does the 6+6 re-forecast compare to the plan?
3. What benefits have been delivered in Q2 and what is the full year expectation?
4. What is the change plan and funding requirement for Q3?

Conclusion

In Q2, we spent £80m (YTD £123m) out of a budgeted annual spend of £255m, of which BEIS will contribute up to £168m. The total change spend in Q2 was £22m more than forecast. As we improve the change process, we had seen several quarters where spend was delayed and had therefore aimed off our submission by £20m.

We delivered Q2 YTD benefits of £16.9m (plan £15.7m) and are forecasting £38.9m of full year benefits against a plan of £40.2m. The reduction in benefits is mainly due to delays in projects including the move to cloud from the Belfast data centres.

Based on our recent 6+6 re-forecast, we expect to spend £62m in Q3. As projects are in delivery, no major delays are expected.

Our current forecast of full year spend slightly exceeds the £255m and will either be prioritised down or funded by Post Office where required.

We are requesting a payment of £60m for Q3, giving funding requested of £145m out of £185m spending in the first three quarters.

We have been in close dialogue with UKGI on the request, the supporting documents and their need for assurance, which will be discussed at the ARC. This dialogue may continue after the Board.

Input Sought

The Board is asked to approve the request of £60m funding for Q3, giving delegated authority to Paula Vennells and Al Cameron to finalise the precise details and supporting documents with UKGI.

The Report

What was Q2 change portfolio spend?

- In Q2, £80m was spent as change against a £58m plan. UKGI funded projects were overspent by £21m. As we improve the change process, we had seen several quarters where spend was delayed and had therefore we aimed off our Q2 submission by £20m.

£m	Q2 Plan	Q2 Actual	Variance
Simplify the retailer proposition	£23.0	£24.3	£1.3
Build innovative, flexible and secure IT	£12.2	£21.4	£9.2
Modernise our products and services	£7.2	£11.9	£4.7
Digitise and optimise the business	£3.6	£3.6	£0.0
Modernise our skills, culture, HR policies and procedures	£3.7	£6.3	£2.6
Regulatory & Group litigation	£4.1	£7.1	£2.9
TOTAL UKGI Funded	£53.9	£74.6	£20.7
TOTAL Change Spend	£57.6	£79.8	£22.2

5.2

Please see Appendix I for project level spend details and Appendix II for variance explanation.

How does the 6+6 re-forecast compare to the plan?

- For projects delivering in-year benefit, the recent reforecast (6+6) submission showed a spend of £36m more than the budget of £124m. This is mainly driven by the approved increase in back office transformation (£13m) and acceleration of DMB closures (£9m).

£m	18/19 - 6+6 forecast	18/19 Plan	Variance
Further franchising DMBs	35.9	26.5	9.3
Network Expansion	18.7	18.7	(0.0)
Multi-year Crown Project	9.6	9.8	(0.2)
Self Service Kiosk Rollout	1.4	2.0	(0.6)
Simplifying the retailer proposition	65.6	57.1	8.6
POMS Investments	12.3	11.3	1.0
Project Galaxy	1.8	4.8	(3.0)
Falcon - Travel Hub	8.9	3.6	5.3
Modernise our products and services	23.0	19.6	3.3
Project Everest - Cloud Enablement	14.5	15.2	(0.7)
PCI/Payments Hub	1.5	2.5	(1.0)
EUC Branch Deployment	9.8	6.4	3.4
Branch Printer Replacement	6.1	3.6	2.5
Project Nelson	3.5	2.5	1.0
CDP re-procurement	4.0	1.4	2.6
Build Innovative IT	39.4	31.6	7.8
Success Factors	0.9	0.3	0.6
Digitise and optimise the business	0.9	0.3	0.6
Back Office Systems Transformation	19.2	6.0	13.2
Modernise our skills, policies and processes	19.2	6.0	13.2
Group Litigation	11.6	9.0	2.6
Regulatory	11.6	9.0	2.6
TOTAL In Year benefit Delivering Projects	159.7	123.6	36.1

- Further franchising DMBs: We announced more ambitious plans at the end of July (to close 227 DMBs vs. 177 as per 3YP) creating additional onerous contract provisions. The additional spend brings additional benefits in future years.
 - Falcon – Travel Hub: Additional costs were incurred in accelerating the delivery of the minimum viable product to allow closure of the FRES TMC app and the refinement of the travel platform.
 - Branch Printer Replacement: Subject to approval, we are forecasting to replace 100% of branch printers previously planned at 70%.
 - Back Office Transformation: As discussed at the board, the project is expected to overrun by £13.2m with planned go-live date in January.
 - Group Litigation: Costs increased following the negotiations with the legal firm some brand protections work.
 - Some projects such as EUC branch deployment and CDP re-procurement were not captured in the 3YP as there were anticipated to be captured in 2017-18. No funding was requested for this change in Q1
3. At the same time, we are likely to spend less on future-benefit delivering projects within this financial year. Costs are now expected to be £88m, down from £104m.

5.2

£m	18/19 - 6+6 forecast	18/19 Plan	Variance
Agents / Postmasters Portal	3.8	6.2	(2.4)
Solar Full (HNGT)	8.2	10.8	(2.6)
Other Smaller Projects	3.6	2.0	1.6
Simplifying the retailer proposition	15.6	19.0	(3.4)
Falcon - Additional Verticles		8.0	(8.0)
Mails Projects	2.2	11.3	(9.1)
Identity Services Investments	5.1	11.4	(6.4)
Banking Framework – Future of Cash incl. vehicles	1.2	10.0	(8.7)
Reclassification from capex to opex		(5.0)	5.0
Sale & Leaseback		(20.0)	20.0
Telephony Routers	2.1		2.1
Project Panther (integration costs only)	5.7	1.6	4.1
Falcon - Peregrine negotiations and implementation	1.5	2.0	(0.5)
Digital Developments	1.6		1.6
Eagle	2.0	3.0	(1.0)
Other Smaller Projects	5.9	1.7	4.3
Modernise our products and services	27.4	24.0	3.4
Risk and Resilience	7.3	7.5	(0.2)
End-of-Life Replacements	3.1	4.0	(0.9)
Project Trafalgar	2.2	4.0	(1.8)
Other Smaller Projects	3.2	11.7	(8.5)
Build innovative IT	15.8	27.2	(11.4)
Enabling supply chain and back office improve	4.8	15.0	(10.2)
Success Factors Phases 2&3	1.4	2.6	(1.2)
Property	8.3	6.0	2.3
Project Arrow (BI Strategy)	2.6	3.5	(0.9)
Other Smaller Projects	5.3	2.4	2.9
Digitise and optimise the business	22.3	29.5	(7.2)
GDPR	3.4	4.0	(0.6)
Other Smaller Projects	3.3	0.5	2.9
Regulatory	6.7	4.5	2.3
Total future benefit delivering projects	87.9	104.1	(16.2)
Total in year projects	247.6	227.7	19.8
Prioritisation Review	(18.8)		(18.8)
TOTAL UKGI Funded	228.8	227.7	1.0
Carry Forward Projects	26.2	27.2	(1.0)
TOTAL Change Spend	255.0	255.0	

Strictly Confidential

The reduction in spending is a result of the changing landscape and priorities.

- Falcon – Additional vertical: Further assessments are being made over how we can utilise the existing travel hub platform more effectively. Until then, the future spend has been taken out of the forecast.
 - Mails: We are not at a point in the RMG relationship where spend can be triggered.
 - Identity Services: Due to time spent finalising the identity services strategy and product roadmap, the planned spend has been delayed into next year.
 - Banking Framework – Future of Cash: More of this spend is likely to be BAU opex, not capital and has been as part of the opex re-forecast.
 - Sale & Leaseback: Project is currently abandoned as the business case is not compelling.
 - Enabling Supply Chain: Full detailed review is currently on going to optimise supply chain and therefore planned spending has been delayed until the roadmap is crystallised.
4. Our current projection forecasts spend of £274m in year which will require us to deprioritise £19m in order to bring the spending in line with the plan. A document on the prioritisation process has been shared with UKGI and can be made available to other Board members. We will revert in January with a 9+3 re-forecast reflecting the result of the above review including the benefits implications.

£m	Q1 Cumulative	Q2 Cumulative	Q3 Cumulative	Q4 Cumulative
Change Plan Spend	£ 65.0	£ 140.7	£ 201.1	£ 255.0
Change 6+6 Reforecast	£ 42.8	£ 122.5	£ 184.1	£ 255.0
UKGI Funded Plan Spend	£ 35.0	£ 90.0	£ 140.0	£ 168.0
UKGI Funded 6+6 Reforecast	£ 35.0	£ 85.0	£ 145.0	£ 168.0
Benefits Plan	£ 8.2	£ 15.7	£ 26.2	£ 40.2
Benefits 6+6 Reforecast	£ 7.9	£ 16.9	£ 27.0	£ 38.9

5. We are requested to submit (Appendix III) a review of our spend to 2021 compared to the 3YP. This shows a significant increase in requested spend. However, very little spend has been committed for next years and we will review future spend in detail over the next 2 months, reporting to the Board in January with next year's change plan.

5.2

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What benefits have been delivered in Q2 and what's the current full year benefits expectation?

6. Q2 projects delivered YTD benefits of £16.9m, slightly ahead of plan of £15.7m. In year benefits are expected to be delivered broadly in line with the plan.

£m	YTD Benefit Actual	YTD Benefit Plan	Variance	2018-19 Plan	2018-19 6+6 Forecast	Variance	Q3 Benefit Forecast 6+6
Further franchising DMBs	2.1	2.1	(0.0)	4.8	5.1	0.3	1.1
Network Expansion	0.8	0.8	(0.0)	2.0	2.0	(0.0)	0.5
Solar Full (HNGT)				0.9		(0.9)	
Multi-year Crown Project	3.6	2.7	0.9	4.9	4.9		1.3
Self Service Kiosk Rollout				0.1	0.1	(0.1)	
Simplifying the retailer proposition	6.5	5.6	0.9	12.7	12.0	(0.7)	2.9
PO Insurance Investments		0.8	(0.8)	4.6	2.9	(1.7)	0.6
Project Galaxy	7.4	6.4	0.9	11.6	13.6	2.0	3.1
Falcon - Travel Hub	0.1	0.4	(0.3)	0.9	0.3	(0.6)	0.1
Other Smaller Projects					0.1	0.1	
Modernise our products and services	7.5	7.7	(0.2)	17.1	16.9	(0.1)	3.8
Project Everest - Cloud Enablement	0.4	0.6	(0.2)	4.0	3.1	(0.9)	1.7
PCI/Payments Hub				0.2	0.2		
EUC Branch Deployment	0.4		0.4	0.6	1.1	0.5	0.3
Branch Printer Replacement	0.3		0.3	0.5	0.8	0.3	0.2
Project Nelson	0.1		0.1	0.5	0.6	0.1	0.3
CDP re-procurement				0.5	0.4	(0.1)	0.2
Software Asset Management				0.1		(0.1)	
Build Innovative IT	1.2	0.6	0.6	6.4	6.1	(0.3)	2.6
Success Factors	1.8	1.8		3.5	3.5		0.9
Digitise and optimise the business	1.8	1.8		3.5	3.5		0.9
Back Office Systems Transformation				0.5	0.4	(0.1)	
Modernise our skills, policies and processes				0.5	0.4	(0.1)	
TOTAL	16.9	15.7	1.2	40.2	38.9	(1.3)	10.1

5.2

The key variances are:

- Travel Hub: Due to 2 months delay in the launch of the hub, the benefits have been delayed. Program has also been affected by the slow travel market.
- Project Galaxy delivers more benefits as fewer customers are taking up the free broadband offer.
- Solar HNGT, PO insurance and Project Everest: Benefits reduced due to delays in mobilising the projects.

Strictly Confidential

What is the change plan for Q3?

7. We are forecasting spend of £62m in Q3, excluding the spend on Payzone acquisition which we fund separately. We are requesting £60m UKGI funding. As of Q3, UKGI total funding will reach £145m, leaving £23m to be requested in Q4.

£m	Q3 Forecast	Approval Status Prior	Strategic Stage
Further franchising DMBs incl. old Crown project	£2.9	✓	Execute
Network Expansion	£6.1	✓	Execute
Solar Full (HNGT)	£1.9	✓	Execute
Self Service Kiosk Rollout	£0.3	✓	Execute
Agents / Postmasters Portal	£1.1	✓	Execute
Other Smaller Projects	£1.8		
Simplifying the retailer proposition	£14.0		
Mails Projects	£0.9	✓	Design
POMS Investments	£2.6	✓	Execute
Identity Services Investments	£1.4	✓	Execute
Project Galaxy	£0.1	✓	Execute
Falcon - Travel Hub	£2.2	✓	Execute
Telephony Routers	£0.7	✓	Execute
Project Panther (integration costs only)	£2.1	✓	Execute
Falcon - Peregrine negotiations and implementation	£0.7	✓	Execute
Digital Developments	£0.3	✓	Execute
Eagle	£0.9	✓	Execute
Other Smaller Projects	£1.7		
Modernise our products and services	£13.7		
Project Everest - Cloud Enablement	£5.2	✓	Execute
Risk and Resilience	£1.2	✓	Execute
EUC Branch Deployment	£2.0	✓	Execute
End-of-Life Replacements	£1.3	✓	Execute
Branch Printer Replacement	£1.5	✓	Execute
Project Nelson	£1.5	✓	Execute
CDP re-procurement	£1.1	✓	Execute
Project Trafalgar	£0.7	✓	Execute
Other Smaller Projects	£1.5		
Build Innovative IT	£16.0		
Enabling supply chain and back office improvement	£0.6	✓	Design
Property	£3.7	✓	Execute
Project Arrow (BI Strategy)	£0.8	✓	Execute
Success Factors	£0.6	✓	Execute
Other Smaller Projects	£1.5		
Digitise and optimise the business	£7.2		
Back Office Systems Transformation	£6.0	✓	Execute
Modernise our skills, policies and processes	£6.0		
GDPR	£0.8	✓	Execute
Group Litigation	£2.4	✓	Execute
Other Smaller Projects	£1.4		
Regulatory	£4.7		
TOTAL	£61.6		
Excluding Q3 Projects Panther spend	-£2.1		
Q3 Funding Request	£59.5		

- ✓ Approval at Gate 2 or beyond, development in progress
 ✓ Approval at Gate 1, designing the project

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APPENDIX I – Q2 Project level spend analysis

£m	Q2 Plan	Q2 Actual	Variance UKGI Funded	RAG	YTD Actual
Further franchising DMBs incl. old Crown project	17.0	16.9	(0.1)	●	21.4
Network Expansion	3.4	3.4	0.1	●	7.6
Solar Full (HNGT)	1.9	1.9	0.0	●	4.2
Self Service Kiosk Rollout	0.3	1.1	0.8	●	1.1
Agents / Postmasters Portal	0.5	0.1	(0.4)	●	0.1
Other Smaller Projects	0.1	0.9	0.8	●	0.8
Simplifying the retailer proposition	23.0	24.3	1.3		35.3
Mails Projects	-	0.1	0.1	●	0.4
PO Insurance Investments	3.3	5.0	1.7	●	5.2
Identity Services Investments	1.7	0.4	(1.3)	●	0.6
Project Galaxy	0.0	(0.1)	(0.1)	●	1.7
Falcon - Travel Hub	1.0	2.8	1.7	●	4.1
Telephony Routers	0.3	0.6	0.4	●	1.2
Project Panther (integration costs only)	-	0.8	0.8	●	1.9
Falcon - Peregrine negotiations and implementation	0.6	0.6	(0.1)	●	0.4
Digital Developments	0.3	0.7	0.4	●	0.9
Eagle	0.0	0.5	0.5	●	0.5
Other Smaller Projects	(0.0)	0.5	0.5	●	1.5
Modernise our products and services	7.2	11.9	4.7		18.4
Project Everest - Cloud Enablement	0.4	3.7	3.3	●	5.0
Risk and Resilience	1.4	4.0	2.6	●	4.6
EUC Branch Deployment	3.9	7.3	3.3	●	7.8
End-of-Life Replacements	2.0	1.9	(0.1)	●	1.8
Branch Printer Replacement	2.0	2.0	0.1	●	4.6
Project Nelson	1.0	0.9	(0.1)	●	1.0
CDP re-procurement	1.2	1.4	0.3	●	1.6
Project Trafalgar	0.4	0.8	0.5	●	0.8
Other Smaller Projects	-	(0.5)	(0.5)	●	(0.1)
Build Innovative IT	12.2	21.4	9.2		27.2
Enabling supply chain and back office improvement	0.0	0.1	0.1	●	0.4
Property	1.2	1.0	(0.2)	●	1.0
Project Arrow (Data warehouse/BI)	0.3	0.4	0.1	●	0.6
Success Factors	1.4	0.5	(0.9)	●	0.8
Other Smaller Projects	0.6	1.6	0.9	●	1.9
Digitise and optimise the business	3.6	3.6	0.0		4.8
Back Office Systems Transformation	3.7	6.3	2.6	●	7.2
Modernise our skills, policies and processes	3.7	6.3	2.6		7.2
GDPR	1.6	1.0	(0.6)	●	2.3
Group Litigation	2.3	5.7	3.4	●	6.2
Other Smaller Projects	0.2	0.4	0.2	●	0.6
Regulatory	4.1	7.1	2.9		9.0
TOTAL UKGI Funded	53.9	74.6	20.7		101.9
Non-UKGI Funded (i.e. carry forward)	3.7	5.2	1.5		20.6
TOTAL Change Spend	57.6	79.8	22.2		122.5

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APPENDIX II - How major projects have performed in Q2?

Simplify the Retailer Proposition

Network Programmes

Overall, we plan to franchise 80+ DMBs this year and open 338 new branches at a cost of £82m, including the onerous contract provision. At the end of Q2, we have franchised 12 DMBs (7 in Q1) and opened 123 branches (83 in Q1) and spent £21m.

5.2

Agents/Postmasters Portal

Lower spend due to negotiations with Fujitsu on DDS billing (now resolved), minimum viable product (MVP) is currently expected in Feb'19.

Solar HNGT

Whilst Project Ph1 continues broadly on schedule, the funding and deliverables for Project Ph2 are currently being agreed with Retail.

Build Innovative, flexible and secure IT

CDP re-procurement

Transition to Amazon Web Services (AWS) has been completed and the project is beginning to close out.

EUC Branch Deployment

Delivery of 27,000 branch technology refresh is on track to be completed in late October/early November.

Project Everest - Cloud Enablement

Overspend has been caused as a result of ASM restructuring payment which was originally planned for Q3. Next business case for cloud enablement is being worked but the initial view of the costs are higher than the 3YP.

Modernise our Products and Services

Post Office Insurance

Post Office Insurance projects present an overall overspend of £1.7m and this was a result of finalising of negotiations with Accenture and hence the timing of the spend as per the statement of work to migrate Home insurance to Duck Creek system (Project Nemesis) due to increased focus on detailed design which has moved the spend phasing back.

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Identity Services

The HMPO Digital Check and Send project went live in 14 pilot sites on the 1st October and a further 133 pilot sites on the 15th October. The pilot has been broadly successful, generating 600+ digital applications and a success rate of over 97%. The service is scheduled to be rolled out to the remaining network of AEI sites (c.580) on the 29th October. The rest of the spend has been re-planned following review of identity product strategy and roadmap.

Digitise and optimise the business

Data (Project Arrow)

The Data project, covering strategy, governance and delivery, has been passed pending the IT team agreeing the future of Credence.

5.2

Modernise our skills, culture, HR policies and processes

Back Office Systems Transformation

Continued progress on replacement of POLSAP. The budget plan was June completion however due to delays in the project, the current plan is to be completed in January which resulted in £13.2m of increased costs.

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APPENDIX III – Current 3 year spend forecast

Project List	Status	In 3 year plan or new?	17/18 carry forward	18/19 - 3+9	18/19 - 6+6	6+6 vs. 3+9	18/19 - Spend in 3YP	6+6 vs. 3YP	18/19 - To 20/21-3+9	18/19 - To 20/21-6+6	6+6 vs. 3+9	18/19 - To 20/21 Spend in 3YP	6+6 vs. 3YP Budget	18/19 - Benefits 6+6	18/19 - Benefits 3YP	Variance	Benefits 6+6	Benefits in 3YP	Variance
				forecast excl. C/F	forecast excl. C/F		Estimator		Forecast	Benefits 6+6		Benefits 3YP		Benefits 6+6	Benefits in 3YP				
Further franchising DMBs	in build	3YP	0.3	33.9	35.9	2.0	26.5	9.3	87.9	125.1	37.3	87.9	37.3	5.1	4.8	0.3	47.4	12.0	35.4
Network Expansion	in build	3YP	14.0	18.7	18.7	(0.0)	18.7	(0.0)	57.9	57.9		57.9		2.0	2.0	(0.0)	9.0	14.2	(5.2)
Solar Full (HNGT)	in build	3YP		11.1	8.2	(2.9)	10.8	(2.6)	18.8	24.5	5.7	18.8	5.7		0.9	(0.9)	0.5	5.3	(4.8)
Multi-year Crown Project	in build	3YP		10.5	9.6	(0.9)	9.8	(0.2)	11.5	11.3	(0.2)	11.5		4.9	4.9		11.4	15.3	(3.9)
Self Service Kiosk Rollout	in design	3YP		3.4	1.4	(2.0)	2.0	(0.6)	11.3	5.4	(5.9)	11.3	(5.9)	0.1	0.1	(0.1)	1.1	6.7	(5.7)
Agents / Postmasters Portal	in build	3YP		3.0	3.8	0.8	6.2	(2.4)	6.2	10.8	4.6	6.2	4.6				2.6	2.2	0.4
Other Smaller Projects	in build	3YP	2.9	5.0	3.6	(1.4)	2.0	1.6	2.0	3.6	1.6	2.0	1.6					0.5	(0.5)
Simplifying the retailer proposition			17.2	85.6	81.3	(4.3)	76.1	5.2	195.6	238.7	(43.2)	195.6	43.2	12.0	12.7	(0.7)	72.0	56.2	15.8
Mails Projects	Ideas	3YP		2.6	2.2	(0.4)	11.3	(9.1)	36.5	12.6	(23.9)	36.5	(23.9)					10.2	(10.2)
Falcon - Additional Vertices	Ideas	3YP					8.0	(8.0)	23.6		(23.6)	23.6	(23.6)					7.0	(7.0)
Post Office Insurance Investments	in build	3YP		12.3	12.3	(0.1)	11.3	1.0	22.8	25.4	2.6	22.8	2.6	2.9	4.6	(1.7)	22.8	25.5	(2.7)
Identity Services Investments	in design	3YP	0.4	8.6	5.1	(3.5)	11.4	(6.4)	20.4	17.9	(2.5)	20.4	(2.5)				11.2	10.3	0.9
Banking Framework – Future of Cash incl. vehicle	in design	3YP		5.1	1.2	(3.9)	10.0	(8.7)	5.1	11.0	(5.9)	15.0	(3.9)					4.2	(4.2)
Project Galaxy	in build	3YP		4.0	1.8	(2.2)	4.8	(3.0)	4.8	1.8	(3.0)	4.8	(3.0)	13.6	11.6	2.0	33.6	34.7	(1.2)
Falcon - Travel Hub	in build	3YP		4.5	8.9	4.4	3.6	5.3	3.6	11.2	7.6	3.6	7.6	0.3	0.9	(0.6)	2.2	10.2	(8.0)
Reclassification from capex to opex	in design	3YP					(5.0)	5.0	(10.0)	(10.0)		(15.0)	5.0						
Saie & Leaseback	Abandon	3YP					(20.0)	20.0				(20.0)	20.0					(3.0)	3.0
Eagle (BOI product developments)	in build	3YP		1.1	2.0	0.9	3.0	(1.0)	10.0	6.1	(3.9)	10.0	(3.9)				0.3		0.3
Project Panther (Payzone integration costs only)	in build	3YP		3.2	5.7	2.5	1.6	4.1	8.1	12.2	4.1	8.1	4.1						
Falcon - Peregrine negotiations and implementation	in build	3YP		2.0	1.5	(0.5)	2.0	(0.5)	2.0	6.1	4.1	2.0	4.1				7.3		7.3
Telesony Routers	in build	New		2.3	2.1	(0.2)			2.1		6.7	6.7							
Digital Developments	in build	New		1.8	1.6	(0.2)			1.6		4.6	4.6							
Other Smaller Projects	in build	3YP		6.2	5.9	(0.3)	1.7	4.3	1.7	9.3	7.6	1.7	7.6	0.1		0.1	7.3		7.3
Modernise our products and services			0.4	59.8	50.4	(9.4)	49.6	6.7	128.5	115.9	(12.6)	128.5	12.6	16.9	17.1	(0.1)	84.7	99.1	(14.4)
Project Everest - Cloud Enablement	in build	3YP	0.2	13.9	14.5	0.7	15.2	(0.7)	33.7	44.2	10.5	33.7	10.5	3.1	4.0	(0.9)	16.3	19.0	(2.7)
Risk and Resilience	Various	3YP	1.2	8.2	7.3	(0.9)	7.5	(0.2)	14.1	17.3	3.2	14.1	3.2						
PCI/Payments Hub	in design	3YP		2.5	1.5	(1.0)	2.5	(1.0)	7.5	10.0	2.5	7.5	2.5	0.2	0.2		1.7	1.7	
EUC Branch Deployment	in build	3YP	3.2	9.0	9.8	0.8	6.4	3.4	6.4	9.8	3.4	6.4	3.4	1.1	0.6	0.5	3.6	3.0	0.6
End-of-Life Replacements	in build	3YP		4.6	3.1	(1.4)	4.0	(0.9)	4.0	4.5	0.5	4.0	0.5					0.4	(0.4)
Branch Printer Replacement	in build	3YP	0.2	5.5	6.1	0.6	3.6	2.5	3.6	6.1	2.5	3.6	2.5	0.8	0.5	0.3	2.8	2.5	0.3
Project Nelson	in build	3YP		2.1	3.5	1.5	2.5	1.0	2.5	3.5	1.0	2.5	1.0	0.6	0.5	0.1	2.5	2.5	0.0
CDP re-procurement	in build	3YP		4.0	4.0	(0.0)	1.4	2.6	1.4	4.0	2.6	1.4	2.6	0.4	0.5	(0.1)	2.0	2.5	(0.5)
Project Trafalgar	in build	3YP		2.0	2.2	0.2	4.0	(1.8)	6.0	3.1	(2.9)	6.0	(2.9)						
Other Smaller Projects	Various	3YP	0.7	6.9	3.2	(3.7)	11.7	(8.5)	11.7	5.3	(6.4)	11.7	(6.4)		0.1	(0.1)	0.5	1.3	(0.8)
Build innovative IT			5.5	58.7	55.2	(3.4)	58.8	(3.6)	90.9	107.9	(17.0)	90.9	17.0	6.1	6.4	(0.3)	29.4	32.9	(3.5)
Enabling supply chain and back office improvement	Various	3YP		10.0	4.8	(5.2)	15.0	(10.2)	25.2	13.6	(11.6)	25.2	(11.6)				8.7	8.0	0.7
Property	Various	3YP		5.6	8.3	2.7	6.0	2.3	6.0	8.3	2.3	6.0	2.3						
Project Arrow (Data warehouse/BI)	in build	3YP		3.5	2.6	(0.9)	3.5	(0.9)	3.5	6.6	3.1	3.5	3.1						
Success Factors	in build	3YP		2.8	2.3	(0.5)	2.9	(0.6)	2.9	3.3	0.4	2.9	0.4	3.5	3.5		10.8	10.8	
Other Smaller Projects	Various	3YP		4.5	5.3	0.8	2.4	2.9	2.4	9.1	6.7	2.4	6.7				5.0	0.5	4.5
Digitise and optimise the business				26.4	23.2	(3.2)	29.8	(6.6)	40.0	40.9	(0.9)	40.0	0.9	3.5	3.5		24.5	19.3	5.2
Back Office Systems Transformation	in build	3YP	3.2	19.2	19.2		6.0	13.2	20.0	20.0		6.0	14.0	0.4	0.5	(0.1)	6.2	3.5	2.7
Modernise our skills, policies and processes			3.2	19.2	19.2		6.0	13.2	20.0	20.0		6.0	14.0	0.4	0.5	(0.1)	6.2	3.5	2.7
GDPR	in build	3YP		4.0	3.4	(0.6)	4.0	(0.6)	4.0	3.4	(0.6)	4.0	(0.6)						
Group Litigation	in build	3YP		10.3	11.6	1.3	9.0	2.6	10.3	14.1	3.8	9.0	5.1						
Other Smaller Projects	in build	3YP		2.0	3.3	1.3	0.5	2.9	0.5	3.6	3.2	0.5	3.2						
Regulatory				16.3	18.3	2.0	19.5	4.8	14.8	21.1	6.3	19.5	7.6						
Prioritisation Review				(31.2)	(18.9)	12.3		(18.9)	(30.4)	(84.3)	(53.9)		(84.3)				(5.7)		(5.7)
TOTAL			26.2	228.7	228.7	0.0	227.7	1.0	459.1	459.3	(0.2)	459.3	(0.2)	38.9	40.2	(1.3)	211.1	211.1	0.0
Carry Forward Spend				26.2	26.2														
TOTAL Change Spend				255.0	255.0														

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BOARD

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PERFORMANCE UPDATE

Retail CE's Report – October 2018

Author: Cathy Mayor Sponsor: Debbie Smith

Meeting date: 30 Oct 2018

Executive Summary

Context

The Period 6 Retail Commercial Performance Report for the Board.

Questions this paper addresses

1. How are our sales and revenues performing against our targets and prior year?
2. What are the implications for our outlook and plans?
3. Competitor Information

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Conclusion

1. Retail has started the year well, holding year on year income flat, ahead of Income budget by £1.8m and ahead of profit budget by £6.2m. No further upside to budget is anticipated in H2.
2. Network customer sessions have fallen -1.9% year on year in the quarter consistent with BRC reported High St footfall decline, averaging 10.0m sessions per week vs 10.2m per week in Q1.
3. Customer service levels have continued to improve through the quarter across the network driven by the focus on customer drivers. Year on year P6 Effort improved +1.5% to 83.5% and the new Customer Driver score average is 87.1%.
4. In Mails, underlying trends continue with strong volume growth in Home Shopping Returns +27% and premium services (Special Delivery) offsetting systemic decline in stamps.
5. In Banking, volume growth trends continue with withdrawals +30% and deposits +66% in Q2.

Input Sought

For the Board to review and note.

Input Received

RLT

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The report

Overview of Financial performance

Gross Income (£m)	YTD				FULL YEAR		
	Actual	vs Bud	vs PY	%Var PY	Bud	PY	%Var PY
Mails Trading	134.6	0.9	6.7	5%	289.1	274.1	5%
Mails Non-Trading	28.3	0.8	(1.6)	-5%	55.8	59.8	-7%
Banking Services	48.4	1.0	5.9	14%	97.0	87.8	10%
ATMs	14.6	(1.0)	(0.9)	-6%	31.2	30.0	4%
POCA	15.5	(0.5)	(5.8)	-27%	29.7	40.5	-27%
Payment Services	11.9	(0.4)	(1.4)	-11%	26.8	27.1	-1%
Retail & Lottery	18.8	0.9	(2.6)	-12%	39.0	44.4	-12%
Retail Total	272.0	1.8	0.2	0%	568.6	563.7	1%
Retail DPC (£m)							
Mails	76.6	4.7	(79.9)	-51%	151.5	330.3	-54%
Cash and Banking Services	42.1	(1.6)	(25.8)	-38%	88.9	137.0	-35%
Payment Services	0.7	1.3	(5.4)	-89%	0.8	12.7	-94%
Retail & Lottery	5.9	0.2	(13.1)	-69%	14.3	39.1	-63%
Retail Total DPC	125.4	4.6	(124.2)	-50%	255.5	519.1	-51%
Fixed Agents Pay	(20.5)	1.5	163.0	89%	(43.9)	(372.6)	-88%
Network & Sales	(36.8)	(0.6)	3.1	8%	(70.7)	(79.6)	-11%
Retail Programme Costs	(3.2)	0.4	(1.1)	-54%	(6.8)	(4.4)	55%
Retail Central Costs	(2.1)	0.3	(0.7)	-52%	(6.0)	(4.9)	22%
Retail Profit	62.7	6.2	40.1	177%	128.2	57.7	122%

1. Retail has started the year well, holding year on year income flat, ahead of Income budget by £1.8m and ahead on profit by £6.2m.
2. The £6.2m profit YTD upside is predominantly driven by more accurate Agents pay methodology enabled by ART, £2.5m; conclusion of commercial negotiations with RMG re SSK over-billing and stamps under-billing which facilitated the release of an £1.5m accrual; a successful Mails annual count process generating £0.7m YTD (FY £1.6m) and lower card processing fees, £0.7m YTD (FY £1.5m).
3. Excluding the £1.5m accrual release, overall income is -0.5% down on prior year. Continuing positive trends in Home Shopping Returns and Banking deposits are mitigating long term volume decline in most retail products.
4. As anticipated, the number of POca account balances dropped below the 1m tier threshold in P4 so we are now seeing a small upside of £0.2m per month. This will recover the YTD shortfall built up in Q1 before the year end, assuming the current rate of account closures.
5. Looking ahead to H2, our view of opportunities balances risks, so full year we anticipate profit upside of c£6m in line with the YTD actual.

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Market Update

6. BRC reported footfall decline of -1.4% total and -1.9% for high streets in the quarter, with September worse at -1.7% total and -2.2% for high streets. The High Street remains very challenging with Coast the latest casualty, going into administration last week with 24 shops set to close.
7. The Competition & Markets Authority has agreed to progress, and fast track, the proposed merger of Sainsbury and Asda to Phase 2 Review despite highlighting risks to lower levels of competition at both a national and local level. Tesco also reported strong progress on integrating with Booker in its half year results in October with Booker contributing 11.8% to group sales growth and contract wins following the collapse of Palmer & Harvey last year.
8. The Association of Convenience Stores issued its 2018 Local Shop Report in September highlighting the continued strength of the UK convenience sector, predicting annual sales growth of 2.6% for the year to December 2018. The report also highlights our value to customers in this sector with the Post Office again being the service recognised as having the 'most positive impact on a local area' and the third most wanted service.
9. Royal Mail announced a profit warning to the financial markets on October 1st, reducing trading profit expectation to £500-550m. Key drivers are efficiency targets not being met, margin pressure in GLS and accelerated decline in marketing mail (addressed mail declining -7%). This has resulted in a downward correction in the share price dropping below its IPO price to around £3.50, from £4.77. The market response to Royal Mail's profit warning indicates a growing shareholder awareness of the challenges faced in delivering cost reductions and benefits from the recent pension agreement, as well as setting a more challenging context for impending negotiations.
10. The GDPR related decline in marketing mail highlighted by RM was largely anticipated by the market, although there is no consensus on the depth or duration of decline. There is no expectation of a fundamental collapse in letter volumes as seen in markets such as Denmark.
11. UK Mail, the parcel operator, has been rebranded DHL Parcel following its acquisition by Deutsche Post in 2016, and have confirmed their purchase of the Pass my Parcel network adding a UK PUDO network to its international capabilities.
12. LINK trial with Paypoint for cash withdrawals continues, now added to by a further 'pilot' scheme for Business banking being run by a combination of RBSG, LBG and Barclays with Cardtronics and Vaultex. This may challenge our business banking volumes from 2020 onwards as these trials are evaluated and then roll-out.
13. Bank closure announcements continue, with a further 300 RBSG branches now being closed in 2018/19.

Customers

14. Network customer sessions have averaged 10.0m per week for the last three months, a -1.9% reduction year on year, and in line with BRC reported High St footfall decline.

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KPIs	Source	CURRENT PERIOD (P6)	LAST PERIOD (P5)	Period change	YTD	P6 Last Year	Year on Year	Target
Effort (% saying Post Office is Easy to do business with)	VOC	83.5%	84.4%	-0.9	83.0%	82%	+1.5	82%
Wait time Acceptability	VOC	95.9%	96.2%	-0.3	95.7%	94%	+1.9	N/A

15. Network Effort has seen continued strong performance. With branches focusing on Drivers we can see the benefit feeding through to the Effort score, +1.5% ahead of target and +1.5% YOY. Wait time acceptability continues its strong performance at 95.7% YTD which is +1.9% YOY.

Customer Drivers (CDS) (Measured for the first time this year)

KPIs	Source	Current Period (P6)	Prior Period (P5)	Period Change	YTD
Overall Customer Driver Score	VOC	87.7%	88.0%	-0.3%	87.1%
Friendly	VOC	87.8%	87.7%	-0.1%	86.9%
Professional	VOC	88.1%	88.2%	-0.1%	87.3%
Knowledge	VOC	88.7%	89.2%	-0.5%	88.3%
Understanding	VOC	88.8%	89.2%	-0.04%	88.4%
Expectations	VOC	86.6%	87.3%	-0.7%	86.3%
Efficiency	VOC	86.2%	86.3%	-0.01%	85.5%

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16. The Mails workshops are underway across the Network in preparation for the peak Christmas trading period. They are focussing on increasing customer satisfaction and sales income by the effective use of the customer drivers in the same way as the successful Travel workshops earlier in the year.

Mails performance

17. Trading income is up +3.7% vs PY with improvements seen in Labels and Parcelforce products following relatively weak performance in P4. P4 saw a temporary weakening in performance reflecting the wider tough trading conditions experienced by UK retail as a whole, with P5 showing a recovery to earlier performance levels. Parcel volumes grew +1% and income +5% in H1 compared to Royal Mail UK parcel volumes and income growth of +6%. International products remain below last year partly due to changes in migration in advance of Brexit.
18. The recent investments in Drop and Go have seen continued improvements with active accounts +15% at ~15k customers per week and transactions +12% at 50k per week.

Cash & Banking performance

19. Overall cash withdrawals across the market (ATM and counter) continue to reduce at an increasing rate (-7% YoY in Q2 vs -5% in Q1). This is impacting our ATM volumes slightly less (-4%), but the impact is now noticeable and continuing. However counter

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volumes through the Banking Framework are holding well above budget so overall banking services are up +14% YTD to £48.4m, +£1.0m vs budget.

20. The UKF/EST 5-point marketing plan has been completed and a new campaign in North West England and South East Scotland is underway, supported by a Post Office network-wide campaign.
21. Future of Cash pricing is under active development based on 'pricing for value' to the banks rather than 'cost plus' for submission to the October and November Board meetings.
22. In POca, DWP pressure on customers to migrate from POca accounts has now stopped. We are still seeing c.30,000 customers per month migrate, increasingly onto Basic Bank Accounts, which can also be serviced in any Post Office. Work on a formal POca replacement is developing well.
23. ATM transactions have been slowing further through Q2, mirroring the general reduction in cash withdrawals across other ATM networks (Q2 LINK volumes -7% YoY). Availability issues are being addressed with availability now approaching 95% (vs 96% budget). With c.2,100 of the 2,350 network consistently achieving 97% availability, actions targeted at the c250 persistent offenders are having a positive impact.

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Payment Services performance

24. The CMA has given an unconditional approval of the Post Office acquisition of the Payzone bill payment business. Both organisations will complete the formal signing of legal agreements by 24 October. Payzone Bill Payments Limited will operate as a subsidiary of Post Office Limited, with Debbie Smith as Chair, Andrew Goddard as Managing Director and Cathy Mayor as Finance Director.
25. Preparations for Day 1 ownership of the business are in final stages of completion, across key Finance, IT, Commercial, HR, Marketing & Communications, and Risk work-streams. Extensive Day 1-100 plans are also in place to manage the transition between new and legacy Payzone businesses, and commence the immediate execution of the business plan.

Retail Strategy

26. Development work on the Retail Strategy is ongoing and an update will be presented at the November Board to include:
 - a. New formats being developed for pilot
 - b. Latest progress on our new, franchise model to include recruitment, on-boarding, capability development, field leadership structure, communication and engagement and performance measures/data
 - c. Analysis of how the Strategy will improve our customer offer and ability to maintain our network with fewer fixed cost outreach branches and temporary operators, including a updated approach to agent pay
 - d. how we move from strategy to trial to roll-out

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27. In parallel we have been taking practical steps to implement the new approach across our existing network. Examples include the ongoing franchise activity (see following DMB section) and a review of all planned Network Transformation and business as usual activity. This review led to 35 locations previously advertising for Mains being changed to Locals, resulting in a £250k/annum saving on future agent pay.

Network Transformation Programme

28. The NT programme continues to perform strongly, having delivered 7,670 openings and 7,756 contracts to date. 82 branches have already been converted this year and a further 34 are planned in, meaning we will over-achieve our 2018/19 target of 100. The programme will close in March 2019.

Directly Managed Branches (DMB) Programme

29. The DMB Programme is on track to conclude the Network Shape business case in 2018/2019, with a further 28 DMB exits and £4.6m of benefits to be delivered. We are on track to deliver our in-year benefits, having exited 12 branches, progressed a further 15 to contract stage or beyond and with one branch in the application process.
30. We also concluded a deal with WH Smith on 9th October to franchise a further 73 branches. We plan to franchise 41 branches in Q4 and the remaining 32 in Q1 19/20, giving an overall P&L improvement of £4.7m per annum. The Edgware deal was agreed on better commercial terms than Paddington and also includes, for the first time, contractual provisions to incentivise better customer service standards across the entire WHS PO estate.
31. Media reaction so far has been localised, reflecting MP and CWU statements. A small number of local campaigns and petitions are underway. Publicly, 15 MP have expressed concerns which we are addressing individually. Additionally the All Party Parliamentary Post Office Group has convened a meeting to discuss our proposals with us and there have also been calls for a Commons debate.
32. Our advertisement for temporary operators across our network, which was a prerequisite for our starting the process to exit DMBs at pace where there is no permanent solution available, went live at the end of August. We have had a good response, allowing us to plan 10 exits on this basis for Q4.

Network Development Programme

33. We have opened 133 new Local branches so far this year. Our full year target is 338 and we are slightly behind schedule but aim to be back on track by the end of the year. We are pleased to have agreed a deal with McColls for 37 new branches, which reflects our improved relationship with our largest Multiple. Our pipeline of new operators continues to be relatively strong with a total of 362 potential new branches in the recruitment process. Despite this, securing enough good quality operators remains a challenge and we are focusing on improving our recruitment and on-boarding process to try to reduce the drop-out rate.

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Appendix 1 – Retail Scorecard

P6 2018

AREA	MEASURE	Unit	Prior Month	Actual Month	Target Month	PY Month	Actual YTD	Target YTD	PY YTD	Full Year Target
PERFORMANCE	Gross Income	£m	43.1	42.1	⊗ 41.3	41.6	272.0	⊗ 270.2	271.8	568.6
	Trading Profit	£m	11.6	7.9	⊗ 7.9	3.1	62.7	⊗ 56.5	22.6	128.2
	Mails - Priority	Vol m	0.8	0.8	⊗ 0.8	0.7	4.8	⊗ 5.5	4.8	11.6
	Mails - Total Labels	Vol m	13.6	12.3	⊗ 11.7	11.7	77.8	⊗ 77.4	77.0	163.4
	Mails - Click & Collect	Vol m	0.3	0.3	⊗ 0.4	0.2	1.9	⊗ 1.8	1.5	4.1
	Mails - Home Shopping Returns	Vol m	3.7	3.3	⊗ 3.0	2.7	23.7	⊗ 20.5	18.6	45.0
	Banking All Transactions	Vol m	10.0	10.0	⊗ 9.7	9.2	73.0	⊗ 63.6	56.9	130.2
	Payments ****	Vol m								
CUSTOMER	No. of Customer Sessions	m	39.9	39.5			259.4			
	No. of Retail Transactions per session**	#	1.63	1.64						
	Ease of Doing Business With (Effort)	%	84	84	⊗ 82	82	83	⊗ 82		82
	Customer Drivers	%	88	88			87			
NETWORK	Complaints*	#	3,318	2,781		2,422	13,756		14,278	
	Branch Numbers*	#	11,561	11,550	⊗ 11,500	11,556				11,500
	NNL Builds	#	18	8	⊗ 37		123	⊗ 150		338
PEOPLE	Branch standards - Losses Identified in Audit*	£m	0.8	0.6		0.6	3.5		3.6	
	Diversity Inc Women (Level 4 & above)***	%	25	25	⊗ 43	21	75		65	43
	Trust our people (Line Manager Index)	%					50		36	
	Engagement as at P1 survey	%								

*month in arrears

** New measure

*** PO target: 43% for level 3A & above, Retail at 37%, P1 32% (one month in arrears)

**** No data due to Credence data issues

⊗ Above Target

⊗ Below Target



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Appendix 2 – Retail Income by Product

Income (£m)	YTD				FULL YEAR		
	Act	Var Bud	Var PY	%Var PY	Bud	PY	%Var PY
Parcelforce	9.4	(0.4)	0.4	5%	21.7	19.8	
Special Delivery	24.6	0.0	0.4	2%	50.8	49.3	3%
International Priority & Standard	14.9	(1.2)	(0.4)	-3%	36.6	34.2	7%
Stamps	8.6	0.0	(0.2)	-3%	22.1	23.1	-5%
Labels (1st & 2nd Class)	44.8	(0.7)	1.1	3%	95.7	91.4	5%
RM Signed For	11.3	(0.5)	0.1	1%	24.4	23.0	6%
Home Shopping Returns	10.8	0.8	2.6	31%	22.1	17.6	26%
Other Trading	10.2	2.9	2.7	37%	15.8	15.8	0%
Annual Fee	23.3	0.8	(1.6)	-7%	45.8	49.8	-8%
Mailwork & Mails non trading	5.0	0.0	0.0	0%	10.0	10.0	0%
Total Mails	162.9	1.7	5.0	3%	344.9	333.9	3%
Retail (Inc Gift cards & Other)	1.0	0.1	(3.0)	-74%	1.9	7.3	-73%
Gift Vouchers branch	1.9	(0.2)	0.2	12%	6.5	5.8	12%
WHS Retail Sales	0.6	(0.6)	0.6	0%	2.8	0.1	1840%
Total Retail	3.6	(0.7)	(2.1)	-37%	11.2	13.2	-15%
Lottery Variable	14.4	1.4	(0.3)	-2%	26.5	29.5	-10%
Camelot Fixed	0.4	0.2	(0.0)	-2%	0.5	0.9	-42%
Health Variable	0.4	(0.0)	(0.1)	-17%	0.8	0.9	-7%
Health Fixed	0.0	0.0	0.0	0%	0.0	0.0	0%
Total Lottery	15.2	1.6	(0.4)	-3%	27.8	31.2	-11%
Banking Services	48.4	1.0	5.9	14%	97.0	87.8	10%
Card Account	15.5	(0.5)	(5.8)	-27%	29.7	40.5	-27%
ATMs	14.6	(1.0)	(0.9)	-6%	31.2	30.0	4%
Total Banking	78.4	(0.4)	(0.9)	-1%	157.9	158.3	0%
Payment Services	11.9	(0.4)	(1.4)	-11%	26.8	27.1	-1%
Total Payments	11.9	(0.4)	(1.4)	-11%	26.8	27.1	-1%
Gross Income	272.0	1.8	0.2	0.0	568.6	563.7	1%

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POST OFFICE LIMITED
BOARDPAGE 1 OF 6
DECISION PAPER

Legal Entity Optimisation

Author: David Gemmell

Sponsor: Jane MacLeod

Meeting date: 30th October 2018

Context

We have previously outlined to the Board the rationale for the creation of a HoldCo over Post Office Limited based on the evolving Group Strategy.

Following detailed assessment of the strategy against the existing corporate structure, this paper outlines the proposed optimum legal entity structure for Post Office going forward.

We are seeking Boards approval in principle to the proposed legal entity structure, to execute the creation of a HoldCo, the movement of Post Office Limited, POI (trading as POMS) & Payzone Bill Payments Limited to be subsidiaries of the HoldCo and detailed production of a Target Operating Model & Execution plan to implement the proposed new entities, a Post Office Financial Services entity and a Post Office Service Company.

Questions this paper addresses

1. What is the proposed Legal Entity structure & why?
2. What will this mean for Board & GE structures?
3. What other options did we consider?
4. What are the costs & timeline for establishing this structure?

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Conclusions

1. Our assessment has confirmed, on a principles basis, the imperative to make some amendments to the legal structure, including the creation of a HoldCo, a new PO Financial Services entity and optimising the other existing entities (POI & Payzone) under HoldCo. It is also proposed to create a PO Service Company to optimise the revised structure.

Our assessment found that the existing legal entity structure could not support the strategy for Financial Services, as such the proposed structure is driven predominantly by the FS Strategy:

- The FS Strategy includes the growth of POI including through acquisition.
 - BoIs increasing intent to exit the current relationship will drive us to exit Financial Services or execute Peregrine. Peregrine anticipates Post Office being able to distribute FS products manufactured by other firms on its behalf in addition to/other than BoI.
 - In each case, the current structure will not be viable to allow such developments (this is drawn out in more detail in the supporting pack) and therefore we propose to address this through a phased restructure:
 - Insertion of a HoldCo above POL, transfer of POI & Payzone BP to HoldCo.
 - Establishment of a new FS entity and creation of a service company.
2. Our principal has been to only make those changes that are necessary, there are further optional changes that could be made, but at this stage no compelling reason to do so (establish separate entities for Identity, Telco or Hub; or move the interest in FRES), and there would be potential tax disadvantages to doing so.

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We also reviewed several options for Group services, selecting a Service Company as the optimum option from a cost and complexity perspective.

3. We would seek to implement the proposed structure in phases:
 - i. Costs:
 - i. Phase 1: Initial Analysis phase has now completed (£297K)
 - ii. Phase 2 & 3: Establish HoldCo, movement of POI & Payzone BP (est £600K)
 - iii. Phase 4 & 5: Create ServCo & Post Office Financial Services (est £2,373K) – You would only do this if you are going to execute the Peregrine strategy.
 - ii. Timeline
 - i. Phase 1: August 2018 – October 2018. (complete)
 - ii. Phase 2: November 2018 – February 2019 subject to SoS & FCA approvals.
 - iii. Phase 3: February 2018 – July 2019 subject to FCA approvals.
 - iv. Phase 4 & 5 Detailed Design & Planning: November 2018 – March 2019
 - v. Phase 4 Execution: April 2019 – October 2019
 - vi. Phase 5 Execution: April 2019 – April 2020 subject to FCA timelines.

Input sought

The Board is asked to approve:

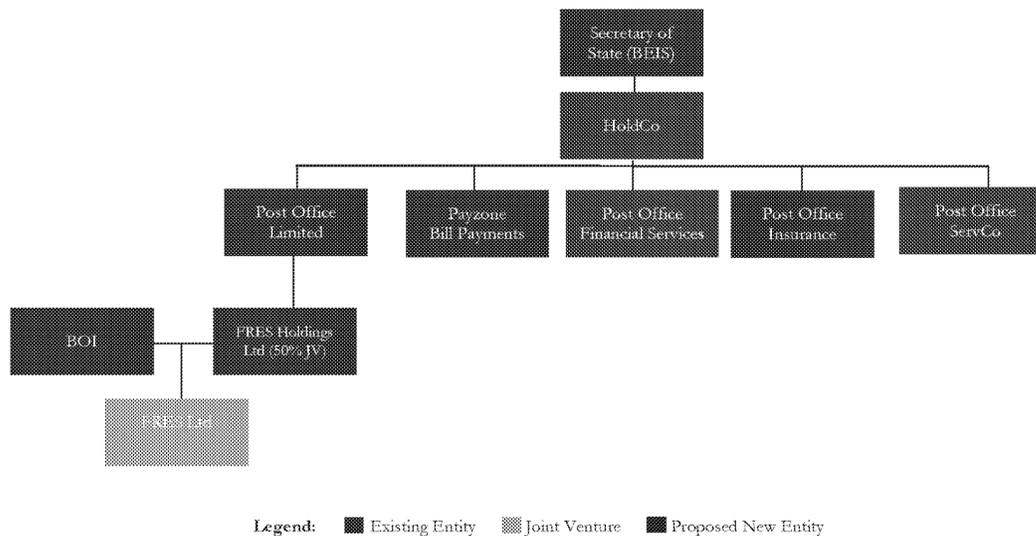
1. The creation of the HoldCo above Post Office Limited, and transfer of POI & Payzone BP noting that further approval would be sought before operationalising the new structure, e.g. transferring / restructuring employees, assets, governance, subsidiaries etc.
2. In principle; the proposed Legal Entity Structure and associated costs.
3. The detailed planning of Phases 4 & 5, with an expectation of further approval prior to their execution.

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The Proposal

1. What is the proposed Legal Entity structure & why?



- 1.1 HoldCo (Post Office Group): The creation of another regulated entity under Post Office Limited would at best mean that Post Office Limited would have two inverted Appointed Representative (AR) relationships with its subsidiaries, which would further exacerbate conflicts of interest and may result in the FCA looking to have greater oversight of Post Office Limited. Alternatively it could result in the FCA rejecting our requests to execute part of the strategy within Financial Services. As such the optimum approach is to create a new Holding Company which would sit over Post Office Limited and the new subsidiary.
- 1.2 Post Office Insurance: POI (POMS) is currently a separate regulated legal entity and would have to stay as such to execute its existing business and its strategy which includes acquisition under project Nike. The strategy of growth will bring increased regulatory oversight which may drive the FCA to seek to regulate all of PO or reject our plans for growth & acquisition. POI currently has an inverted AR relationship with Post Office Limited which would be resolved by moving POMS to sit under the HoldCo, removing some conflict of interest & complexity from the existing model. The POI Board & Governance will be reviewed to ensure it is optimum and remains fit for purpose. The Group CEO would no longer be the Approved Person for the AR of POI, instead we would propose this to be the Chief Executive of Retail, who would need to become a Board member of Post Office Limited.
- 1.3 Payzone Bill Payments: As Payzone Bill Payments is currently a separate legal entity and there is no proposal under LEO to change that. It is proposed that Payzone Bill Payments would be a subsidiary of the HoldCo and not Post Office Limited, for simplicity. Leaving PayzoneBP under POL would create a more complex triple tiered structure with the HoldCo Board two layers removed from the PayzoneBP Board.

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- 1.4 Post Office Financial Services entity: The proposed strategy for Financial Services as outlined under Peregrine would see Post Office Limited selling financial services products, manufactured on its behalf by multiple different firms as opposed to today where we exclusively sell BoI products. Our analysis, supported by external advice, concludes that this cannot be done under the existing structure without FCA seeking to regulate all of PO or rejecting our plans to operate with multiple principles. As such it is proposed to create a new Post Office Financial Services regulated intermediary entity which would be the enabler for expanding beyond non-BoI products. As it will take up to 18 months to get a new, fully FCA regulated entity in place, it is imperative that LEO and POFS entity setup commence now to allow Peregrine to be executed through 2019/20.
- 1.5 ServCo (Post Office Services): The new Group companies must continue to operate as one Group serving customers under one brand. Four options were considered for how each company consumes Group services (HR, Finance, LRG, IT, Marketing, Brand & Communications etc).
- 1.5.1 POL owns all of these functions and provides them as a service to each entity. (Least costly but more complex as POL would be Service Company & AR to two regulated entities, also creates conflict of interest between POL and its regulated sister companies as both consumer and provider of the services)
- 1.5.2 HoldCo owns all of these functions and provides them as a service to each entity. (Slightly more costly, complexity of services being provided by parent to regulated entities)
- 1.5.3 A new Service Company owns all of these functions and provides them as a service to each entity. (Slightly more costly, least complex operating model)
- 1.5.4 Each entity has its own functions for these services. (Most costly & complex)
- Following review of these 4 options the proposed optimum option is the creation of a Service Company. The service company would have to be in place before the creation of the new POFS entity for optimum efficiency.

2. What will this mean for Board & GE structures?

- The existing Post Office Limited GE & Board will be moved up to the HoldCo.
- Non Regulated entities would have a Board which would consist of existing Post Office management members.
- Regulated entities would have a fit for purpose Board defined to meet FCA requirements. This would include a review to ensure the POI Board is optimum and remains Fit for Purpose.

3. What options did we consider?

Other options considered included

3.1 Potential other entities

- 3.1.1 Identity Services: There is currently no regulatory reason for Identity Services to be a separate legal entity. Further to that the strategy for Identity Services, as currently understood, can be executed with Identity Services as a part of Post Office Limited without being a separate legal entity. Creation of a separate entity would remove Identity Services from being able to write off profits against historic Post Office Limited losses.

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- 3.1.2 TelCo: There is currently no regulatory reason for TelCo to be a separate legal entity. Further to that the strategy for TelCo, as currently understood, can be executed with TelCo as part of Post Office Limited without being a separate legal entity. There are pros and cons to TelCo being a separate entity from an optimisation perspective outlined in the supporting paper. Should Ofcom regulation change this may require review in future. Creation of a separate entity would remove TelCo from being able to write off profits against historic Post Office Limited losses.
- 3.1.3 Customer Hub: There is currently no regulatory reason for Customer Hub to be a separate legal entity. Further to that the strategy for Customer Hub, as currently understood, can be executed with Customer Hub as a part of Post Office Limited without being a separate legal entity. Should the Hub move beyond servicing Post Office customers into regulated Payment Services, Open Banking or Utility provision for Customers of other suppliers then this situation would need to be reviewed. Creation of a separate entity would remove Customer Hub from being able to write off profits against historic Post Office Limited losses.

No other potential entities were tabled or identified during the review.

3.2 Consideration was also given to several areas which could be "Red Flags" to a new entity structure:

- 3.2.1 VAT: There is some potential for both positive and negative implications from a VAT perspective but not material enough to change the proposed approach. Further details will be worked through to maximise the VAT position within the revised structure.
- 3.2.2 Corporation Tax: Any potentially profitable entity which is removed from Post Office Limited will risk having to pay tax without being able to offset against Post Office Limited's historic losses. This doesn't apply to POI & Payzone who cannot access this today. It would include ServCo & PO Financial Services.

As ServCo is likely to be a "cost + 5-10%" model then its potential profit is limited. There may be some opportunity to allocated part of the historic tax losses to ServCo but this has yet to be confirmed.

PO Financial Services makes a profit today and all of its future profits could be subject to tax without access to pre April 2017 historic losses to write off against (it can write off against in year Group losses & £5M+50% against post April 2017 Group losses). Prior to creating the POFS entity it will be essential to map out the current and potential profits against the full tax implications and the declining Financial Services business if we don't execute Peregrine.

This tax position strengthens the argument not to carve out other profitable businesses like TelCo & Identity Services from Post Office Limited unless necessary to execute a more profitable strategy which outweighs the tax implications.

- 3.2.3 Governance & Control: There is nothing within the Governance & Control area that would prevent the execution of this proposal. A minimum change

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approach has been taken but ensuring appropriate spans of control for the Group.

- 3.2.4 Pensions: There is nothing within the pension's space that would prevent the execution of the strategy. There is a chance that the Pension Trustees will seek guarantees against any potential future shortfall in the DB scheme from HoldCo and/or other companies in the Group. This isn't perceived to be an issue.
- 3.2.5 Unions: Current CWU & Unite are recognised within Post Office Limited but not in Payzone or POI. It is expected that they will not be recognised in HoldCo or the new FS Entity but will be recognised in ServCo.

4. What is the cost & Timeline for establishing this structure?

Phase	Activity	Est Cost	Timeline
Phase 1	Initial Analysis	£297K	10 wks
Phase 2	Creation of HoldCo above Post Office Ltd	£295K	3-6 mths
Phase 3	Movement of POI & Payzone under HoldCo	£305K	3-6 mths
Phase 4 & 5	Detailed analysis, TOM & Imp Plan for ServCo and PO Financial Services	£1,033K	3-6 mths
Phase 4	Implementation of ServCo	£664K	6-9 mths
Phase 5	Implementation of new Financial Services entity	£676K	9-12 mths

We are requesting the funding to implement Phase 2 & 3.

If the Board also confirm that there is intention to stay in Financial Services post the BoI exit and as such execute Peregrine, then we would seek funding to Design Phases 4 & 5 with a view to reverting after the Phase 4 & 5 Design with further detail on execution of those phases.

The expectation would be to fully complete all aspects of implementation by April 2020, subject to approval to progress now, confirmation of intent to execute Peregrine and all subject to SoS & FCA approval timeline.

SoS will need to approve the creation of the HoldCo and the movement of Post Office Limited to underneath the HoldCo along with any changes to where the Special Interest Share is held and the Articles of Association for both HoldCo and Post Office Limited. SoS would also have to approve the approach to funding HoldCo (more detail in the supporting paper)

The FCA shall need to approve the change of ownership of POI, this can take up to 3 months. The FCA shall need to approve the regulation of the new PO Financial Services entity. It could take up to 18 months to achieve full regulatory operational approval including the approval of individuals under the Senior Management Certification Regime.

NB: Please note that there is a full supporting pack in the Reading Room which outlines the detail behind these recommendations.

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Appendix 1 – Design principles

Design Principle	Proof points
1) Better for customers	<ul style="list-style-type: none"> • The subsidiary structure should be invisible to customers – for them it's just the Post Office. • Our ability to offer joined-up customer propositions across a number of product categories should be strengthen not diminished. • Clients and postmasters should also benefit from joined-up account management – they don't want to be dealing with each subsidiary separately.
2) Simpler to run	<ul style="list-style-type: none"> • Decision making should be accelerated not slowed • No proliferation of governance - e.g. unless required for regulated entities and contractual JVs, we would streamline the number of additional subsidiary Board meetings as far as possible. • Single approach to capital allocations and change management maintained • Wherever appropriate support structures and technology should be shared across the group – we are too small to duplicate costs within each subsidiary
3) Great place to work	<ul style="list-style-type: none"> • Employees benefit from a clear sense of customer purpose and a more entrepreneurial culture • Flexible career structures across the Group, alongside the opportunity to specialise
4) Tax / Financial Engineering	<ul style="list-style-type: none"> • The corporate structure should not be designed solely for tax or similar financial engineering reasons.

Appendix 2 – Key detailed assessment criteria (not exhaustive)

- 1) **Customer ownership** - Ability to 'own' the customer and share data across the various businesses where appropriate, and within customer permissions and regulatory boundaries
- 2) **Regulation** – Consideration of insulation from 'contagion' of regulatory obligations, and potential for regulatory conflicts (e.g. POMS)
- 3) **PCR / other government legislation** – Applicability of, and issues relating to, relevant legislation, e.g. the Public Contracts Regulations (ability to contract with internal and external parties), Freedom of Information Act, etc.
- 4) **Access to external capabilities / funding** – Ability to access external capabilities and funding (debt / equity); impact on existing funding & State Aid.
- 5) **Attractiveness to potential partners** (commercial and strategic) taking into account Post Office Limited ownership structure
- 6) **Liabilities** - Ability to contain liabilities (corporate debts, fines, pensions liabilities, etc.)
- 7) **Governance and control** – Strategic and operational coherence, efficiency and effectiveness of governance structures across group
- 8) **Strategic agility** - Agility to develop and implement strategies / respond to market and competitor developments
- 9) **Dividend and cash traps**, use of legacy tax assets, VAT etc.
- 10) **Operating model** – implications relating to which entities employ Post Office people, own corporate assets, provide intra-group services, etc.) and an assessment of increased operating costs arising from the structure
- 11) **Costs and transition requirements** to implement the broader future corporate structure

POST OFFICE LIMITED
BOARDPAGE 1 OF 6
DECISION PAPER

Business Case – Belfast Data Centre Exit

Author: Jason Black

Sponsor: Rob Houghton

Meeting Date: 30/10/2018

Executive Summary

Context

- Our strategy is for Fujitsu to migrate their fixed Belfast data centre to a managed Microsoft Azure cloud infrastructure. This delivers a transparent and consumption based operating model with greater resilience and “evergreen” technical currency. It also avoids significant Fujitsu committed data centre refresh costs and helps meet the contractual spend commitments with Fujitsu.
- The Belfast Exit is an intrinsic part of the Fujitsu contract renegotiation (Project Everest), which will deliver at least 30% Opex savings against the 2017/18 run rate.
- The overall business case will cost £38-46m with predicted benefits realisation of £13.6–£16.5m over the term and a contractual spend/cost avoidance of £28.4m.
- Upon completion of the migration the infrastructure costs would be approx. £10m per annum, a 29% reduction on current spend.
- We are exploring additional opportunities with Fujitsu to further reduce run costs and limit change costs. The 2022/23 run costs will be the benchmark level for the re-procurement of infrastructure services post Fujitsu contract.
- This request is for the next drawdown of funds of £6.7m bringing the total budget request to date to £11.6m. The overall Horizon migration is planned in 6-8 migration releases.

What do we propose to do and why?

The purpose of this Business Case is:

- To approve drawdown of £6.7m of investment to continue the Belfast Exit Programme. This delivers phase 3 which creates the infrastructure, systems and tooling required to support the migration and transition of identified early adopter applications. E.g. Agent Portal, HNGT and CWS.

High Level Financials

- The business case financials assume a most likely total programme cost of £43.9m for calculation purposes (in line with the range of £38m-£46m shown above). This is made up of £35.9m build costs and £8m of Cloud dual run costs.

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FUNDING DRAWDOWN OVERVIEW

£m	Existing Approval		Total Approved	New Request			Total New Request	Total Project
	Prior Years	FY18/19		FY18/19	FY19/20	FY20/21		
Opex	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional	0.0	0.0	0.0	0.9	0.0	0.0	0.9	0.9
Capex	1.8	3.1	4.9	5.8	0.0	0.0	5.8	10.7
Total Funding	1.8	3.1	4.9	6.7	0.0	0.0	6.7	11.6

BUSINESS CASE FINANCIALS

£m	Sunk Cost	FY18/19	FY19/20	FY20/21	FY21/22	FY22/23	FY23/24	TOTAL
Gross Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cost of Sales		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Direct Contribution	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Expenses (OpEx)	0.0	0.1	1.6	3.7	4.2	4.0	0.0	13.6
Trading Profit	0.0	0.1	1.6	3.7	4.2	4.0	0.0	13.6
Trading Profit [%]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project Spend	-1.8	-17.6	-20.9	-3.7	0.0	0.0	0.0	-43.9
Capital Expenditure	-1.8	-15.8	-16.7	-1.6	0.0	0.0	0.0	-35.9
Exceptional	0.0	-1.8	-4.2	-2.0	0.0	0.0	0.0	-8.0
Cost Avoidance	0.0	0.0	14.2	14.2	0.0	0.0	0.0	28.4
Net Cash Flow	-1.8	-17.4	-5.1	14.2	4.2	4.0	0.0	-1.9

	With Intangible benefits	With tangible benefits
Discount Rate [%]	12.0%	12.0%
NPV / Net Present Value (5 years)	-6.9	-30.8
IRR / Internal Rate of Return [%]	-3%	-40%
PBP / Payback Period [years]	4	11

Appendix 1 provides greater comparative detail on the costs and benefits between the January 2018 IC submission and this October 2018 submission

Input Sought

- The Board is requested to approve the drawdown of a further £6.7m of funding, in addition to acknowledging an ultimate Programme financial commitment of c£38-46m.
- Further the Board is asked to reject alternate options described below

Input Received

- Previous Funding Approvals:
 - Phase 1 - £0.3m
 - Phase 2 - £3.0m*
- *decision in Phase-2 agreed to postpone deployment of Verizon Core Network (£254K retained)
- Phase 3 Interim – £1.6m. Investment Committee approval to continue work on Fujitsu proposal and business case preparation June18 to September18
- Current Paper approved by the following groups Group Exec and appropriate boards

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The Report

WHAT IS THE PROBLEM BEING SOLVED AND HOW ARE WE DELIVERING AGAINST IT?

1. Our strategic hosting strategy is to move our systems to operate in a cloud architecture. This provides more consumption-based charging, greater resilience and maintains "evergreen" technical currency.
2. Cloud technologies also enable dynamic, accelerated and agile Build, Release, and Operate (BRO) as a result of automated provisioning and release processes. This will improve and accelerate current waterfall operations.
3. The plan is to manage this programme in funded phases, with clear deliverables and beneficial outcomes. We will use strong commercial pricing (retentions, fixed price) to maintain strong performance and financial control.
4. The reasons for "why start now"
 - to avoid significant capital expenditure on an "Horizon Data Centre Refresh 2" Programme within the current funding period;
 - to deliver the ongoing cost base for Horizon infrastructure in line with IT business strategy;
 - to ensure greater supplier competition at the end of the Fujitsu agreement.
 - to maintain the integrity of the Fujitsu contract restructure;

HOW DOES IT LINK TO AND DELIVER OUR STRATEGIC GOALS?

5. This project is closely aligned with the North Star target to "Build flexible and secure IT", and also closely aligns to the internal IT strategy pillar around cost reduction and move to a more consumption-based model.

9

WHAT ARE THE FINANCIAL AND NON-FINANCIAL BENEFITS AND WHO ARE THEIR OWNERS?

6. Cost avoidance in period of £28.4m of capex costs. £16.4m minimum contracted infrastructure refresh costs plus, £4m Oracle upgrade, and £8m internal resource and other 3rd party costs. Note that the previous data centre refresh in 2016/2017 cost £32m.
7. The total estimated cost for the programme should be considered as a range £38-46m. Cost estimates are inclusive of Fujitsu Networking, Equipment, Resourcing, POL Resourcing, Verizon Networking and Resourcing costs.
8. The estimated direct financial benefits and revised run costs for the Belfast Data Centre are:

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Infrastructure Cost Analysis	2018/19	2019/20	2020/21	2021/22	2022/23	Total	End-State Savings
	£m	£m	£m	£m	£m	£m	
Pre Trinity Contract	18.9	18.9	18.9	18.9	18.9	94.3	
Trinity Savings	(4.6)	(4.6)	(4.6)	(4.6)	(4.6)	(22.9)	
Contracted Infrastructure Costs	14.3	14.3	14.3	14.3	14.3	71.4	
Calculated Cloud Savings (before incremental network uplift costs)	-	(1.6)	(4.5)	(5.3)	(5.2)	(16.6)	
New Infrastructure Costs	14.3	12.6	9.8	9.0	9.1	54.8	
Networking Uplift (Fujitsu/Verizon)	-	-	0.8	1.1	1.1	3.0	
Revised Infrastructure	14.3	12.6	10.6	10.1	10.2	57.8	28.9%

All figures in above table include IVAT

9. Additional run costs benefits being explored are:
 - further standardisation and automation of the Fujitsu service wrapper;
 - refinement of the Networking Uplift; and
 - the phasing of the cross-over from old to new services.
10. Potential for further infrastructure consolidation, and standardisation of multiple Infrastructure services e.g. POL systems hosted outside of Belfast and/or not supported within Fujitsu-serviced Azure Cloud.
11. The main intangible benefits of the data centre migration are:
 - the enablement of digital transformation;
 - a separation of the architecture to enable a much greater velocity of change/delivery and meet our customer demands;
 - a fully resilient, secure infrastructure with evergreen commodity technology in the cloud components;
 - variable charging in development and testing environments; and
 - an end state run costs acting as the benchmark for the future hosting contract charges once the existing agreement expires.



KEY RISKS THAT MAY HAVE AN ADVERSE IMPACT ON BENEFITS REALISATION

Risk ID	Risk Title / Description	Current I (Impact) L (Likelihood)			Target I (Impact) L (Likelihood)			Mitigation Action	Due Date
		I 1-5	L 1-5	Current Score (I x L)	I 1-5	L 1-5	Target Score (I x L)		
		FUJITSU Technical Interfaces with Key Customers Groups inefficient / ineffective	FUJITSU identified that POL inability to engage effectively with critical customers added two (2) years to previous systems migration e.g. RMG, Bank of Ireland	4/5	4	16/20	3		
FUJITSU ability to Execute	FUJITSU have not proved they have skills resources & experience to work at the pace & level POL demand to conclude March 2020	5	4	20	3	3	9	Strong governance methodology aligned Iterative review of detailed resource plan	31/12/18

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									<i>Obligations and timescales contracted to share "fail" risk</i>	
<i>Resource contention for FUJITSU</i>	<i>Other POL Projects and Change Freezes will create resource contention for FUJITSU delaying delivery</i>	4	4	16	3	4	12		<i>Aggregated resource plan Declaration in plan of request for "other change" freezes e.g. Belfast ONLY change periods</i>	<i>Ongoing</i>
<i>Supply Ecosystem Interfaces for 'Service'</i>	<i>A risk across complex 3rd party supplier eco system, POL IT & POL business that the Operations team will not keep pace with accelerated programme delivery</i>	5	3	15	3	2	6		<i>Work already initiated within Everest and Cloud Enablement to create "Cloud Service Operating Model"</i>	<i>31/12/19</i>

WHAT OPTIONS DID WE CONSIDER?

12. **Option 1** –Horizon applications remain hosted by Fujitsu in Belfast. Option rejected due to the requirement for further contractual capital costs within the current term to 2021/22 and cancellation of Everest deal. The risk is that the value of the second refresh is likely to be circa £30-35m plus current run-rate Opex costs continue at the current rate of £13-14m per annum.
13. **Option 2** –Retender for an alternative cloud provider as a strategic partner (i.e. Amazon, Accenture, IBM). This was rejected due to: i) We are in a captive hosted contract with Fujitsu to a minimum of 2021; during this time any other cloud development work or acquisition cost is INCREMENTAL to the cost with Fujitsu instead of REPLACING the cost with Fujitsu, 12-18 months and, even after procuring, the migration of Horizon would be impossible without significant cost to Fujitsu after 2021 – effectively barring a digital transformation of Horizon for three years. iii) Significant stranded costs (estimated £35m for ongoing upgrades & future refreshes) associated with Infrastructure refresh in Belfast that is projected in addition to the current Data Centres refreshes.
14. **Option 3** – Build new application in the cloud and migrate over time into new application i.e. bill payments first, then increased functionality. This is a compelling and standard approach. Rejected due to: i) Incremental operational and capital cost during the migration activity to 2023. ii) The Everest deal would be nullified iii) It is complex to reconcile and audit transactions across two core systems in parallel. iv) Takes significant time to procure the new application and the Systems Integration partner. It is our plan B if we are unable to proceed with Fujitsu.
15. **Recommended Option 4** – This business case; evolve the current Fujitsu Hosting Service in Belfast to migrate Horizon Applications to Fujitsu-serviced Azure Cloud.

WHAT ARE THE KEY DATES AND MILESTONES?

16. Appendix 4 details the Programme key dates and milestones.

WHAT WOULD THE IMPACT BE OF DELAYING OR REJECTING THE DECISION TO PROGRESS?

17. Delay of benefits realisation associated with cheaper end state.
18. The current financial model provisions for a delay in Belfast data centre exit to December 2020. (Contingency cost is capped at £1.2m.) Delay beyond this would

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- mean increased as-is run costs and potentially incremental costs associated with short-term Belfast lease extensions.
19. Any material time gaps between phases run the risk of key 3rd Party teams being redeployed, therefore delaying the overall project whilst teams are built back up.
 20. As a result of current delays, Fujitsu are identifying a need to remediate some legacy systems intended to go straight to Cloud. We assume minimal investment in legacy estate whilst this project delivers. If timescales extend, costs may be required to keep/extend the legacy estate's service levels. Fujitsu are confirming application remediation requirements and when in the schedule these may impact.
 21. Delays in delivery of the previous infrastructure refresh programme mean that another whole infrastructure refresh would need to commence in 20/21 If POL were to avoid risk and costs of a wholesale infrastructure refresh

SCOPE – WHAT IS IN SCOPE AND OUT OF SCOPE?

22. Key external Programme dependencies are detailed in Appendix 3.

SPECIFY THE INTENDED DELIVERY APPROACH?

23. The programme is split into 9 phases as detailed in Appendix 4. The Programme will drawdown funding against these releases as the delivery progresses.
24. Internal resource deliverables are provided in Appendix 5.

1. Concurrences

Finance Director

Approved by	Commentary	Date
Alistair Roman	Approved	4/10/2018

Design Authority

Approved by	Commentary	Date
Design Authority Group	Endorsed.	05/09/2018

IT Portfolio Office (assessment of IT capacity and capability)

Approved by	Commentary	Date
David Gemell	From an IT Portfolio perspective, you have my concurrence	5/10/2018

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Appendices

1 Financial Cost and Benefits movement summary:

1. The benefits must be considered within the context of the overall Fujitsu Project Everest negotiation. Estimates in January, in advance of a quotation from Fujitsu, were provided in this context and in line with targets agreed with Fujitsu. Subsequently the P2C component have been separated into its own business case.
2. The latest estimated end-state savings we expect to achieve on the data centre run costs are £3.5m which includes a like for like run cost reduction of £4.5m, less additional networking costs of £1m per annum. This equates to approximately 28% savings against as-is run costs.
3. Activities are underway to deliver additional benefits, targeting standardisation automation and networking, with an aim to increase overall savings to 30-40%. These will be completed by January 2019.
4. The build targets contained within this paper are in line with the original Belfast component of the January paper, with specific identified additions.

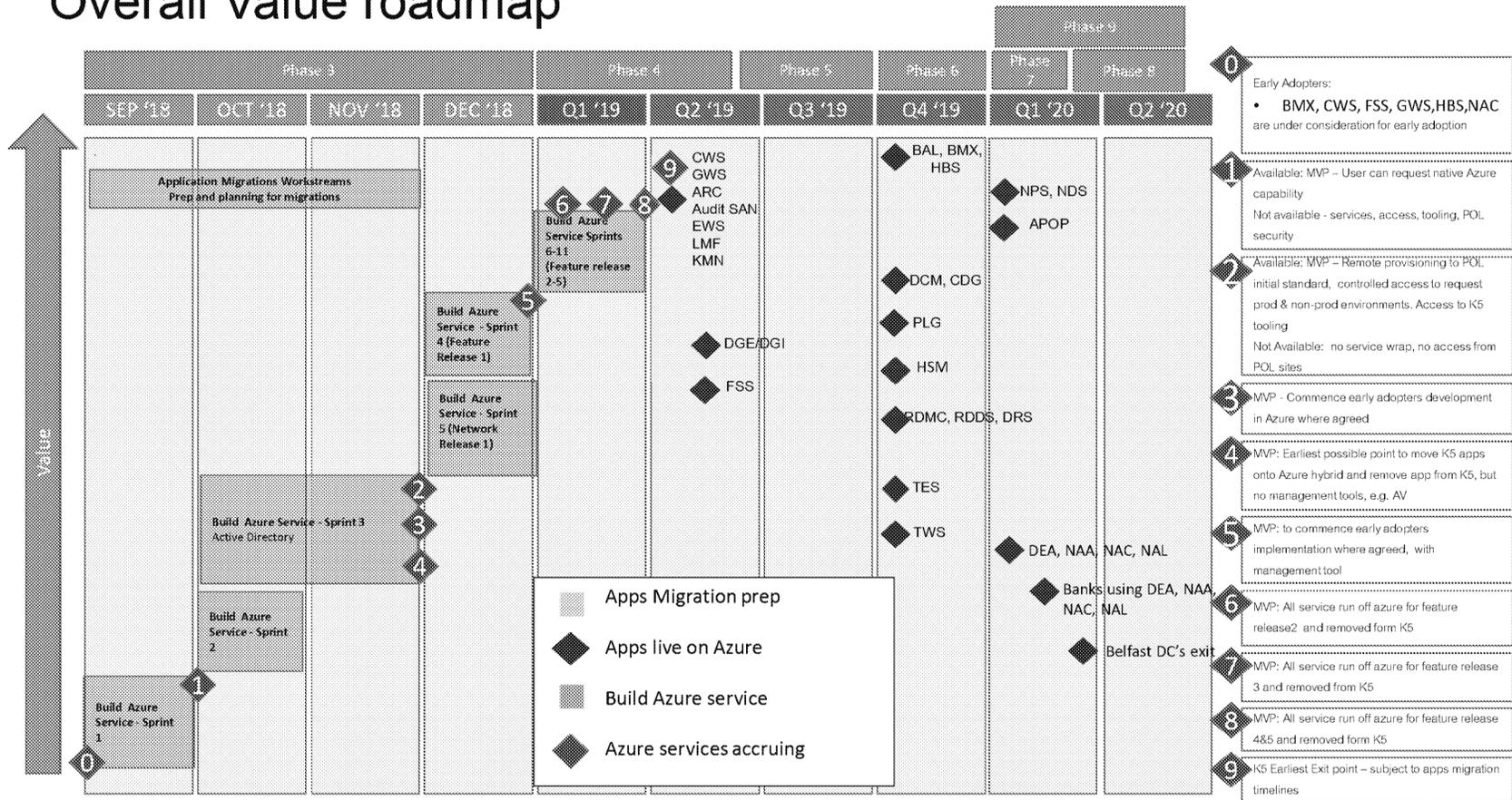
Belfast Exit Costs:	£m
Jan 18 Submission	32-38
Incremental Azure Run Costs	3.5
PCI added to Scope	2.0
Contingency	2.5
Oct 18 Submission	38-46

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2 Programme Key Dates & Milestones

Overall Value roadmap



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Post Office Limited - Board Meeting - 30/10/18

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3. Key External Programme Dependencies

Dependency Title/High level description	Inbound from (Programme / Project)	Impact (of non or late delivery) on Benefits
Phase-4 (Previous) provides Infrastructure for HNGT/Solar Project	HNGT/Solar	<ul style="list-style-type: none"> - Proof-of-Concept must be supported. - HNGT deployment in Production - HNGT full deployment is dependent on Infrastructure being delivered part of Phase-4 and subsequent scalability for the rollout in Branches.
BEX architectural design needs to support a future optimised PCI scope.	PCI programme	Increased costs to ensure PCI compliance of the Horizon application and specifically separation / segmentation of BAL.

4. Programme Phases

Release Number	Release Name	Release Description
1	Service Delivery Workstream	Delivery of project ways of working, standards, service, release and deployment processes
2	Common Infrastructure Workstream	Delivery of common infrastructure tooling, core networking capabilities and management tooling
3	Common Application Services	Delivery of Horizon specific shared services.
4	Branch Services Workstream	Delivery of Horizon application services that have been identified as primarily supporting the branch environment e.g. branch database
5	Banking and Payment Services	Migration of 300 banking agents and reconciliation services and includes PCI accreditation
6	Audit Workstream	Replacement and delivery of audit solution to use NetApp solution
7	Batch Workstream	Development and delivery of new batch system
8	External Services Workstream	External services that can be subdivided into interactive (web services) and non-interactive (PODG)
9	Decommissioning and Remediation	Decommissioning and remediation of Belfast and K5

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5. Internal Resource Deliverables

- Assurance Governance & delivery of agreed milestone & benefits
- Governance & quality assurance of Fujitsu products & services delivered to POL security & compliance standards.
- Review & quality assurance/validation of artefacts by 3rd parties including Fujitsu, Verizon, Computacenter to ensure they meet POL Standards 'Business Design'
- Identification, review & management of Risks & issues to ensure the current Services are protected and impact on POL business is minimised.
- Design & implementation of Service Operating Model, Service Processes, and Transition of complex Services, including design & standards
- Business & Operational readiness for migrations & transition of Services
- Complex change management, coordination& delivery alignment between POL, Fujitsu, Verizon, Computacenter, and dozens of Banking, Payments, Credit Cards and other partners.
- End to end testing of complex interfaces between POL, Fujitsu, Verizon, Computacenter, and dozens of Banking, Payments, and other partners.

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BOARD

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Review of Conflict of Interest Policy

Author: Veronica Branton, Head of Secretariat Sponsor: Jane Macleod Meeting date: 30 October 2018

Executive Summary

Context

The Post Office Group Conflict of Interest Policy has been reviewed and no changes of substance are proposed. The last review was in November 2016 and the Policy was approved by the Post Office Audit, Risk and Compliance Committee at its meeting on 17 November 2016. The Policy was adopted by the Board of Post Office Insurance at its meeting on 26 January 2017¹.

The Board reviews the register of Conflicts of Interest for Board Members each March and it is proposed that this is aligned with the annual review of the Policy. The March review will also include a review of the controls set out in the Policy and whether there are any gaps.

Questions addressed in this report

1. Are any changes required to the Policy?

Input Sought

The Board is asked to:

- **Approve** the Post Office Group Conflict of Interest Policy
- **Approve** the alignment of the policy review and controls review with the review of the register of interests in March 2019.

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¹ Registered name: Post Office Management Services Limited

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The Report

1. PO Limited is required under the Companies Act 2006 and through other legal and regulatory requirements to manage its conflicts of interest. The Group Conflicts of Interest Policy applies to all Post Office Group statutory directors, employees, officers, contractors, casual workers and agency workers.
2. Statutory Directors' letters of appointment set out the requirements for disclosure of outside interests, conflicts of interest and potential conflicts of interest. A register of interests is maintained and reviewed formally each March.
3. Employees and contractors are required to read PO Limited's Code of Business Conduct when they join PO; this includes the principles and requirements for managing conflicts of interest and related policies, such as gifts and hospitality and anti-bribery and anti-corruption.
4. The Policy with track changes is at Appendix 1. No changes of substance are proposed but reflect the change in the policy owner and implementor and the wording of the FCA guidance on Conflicts of Interest.
5. Once approved, the Board of PO Insurance will be asked to adopt the revised Policy.





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Document Control Sheet

POLICY SUMMARY			
GE Policy Sponsor	Policy Owner	Policy Implementor	Policy Approver
Company Secretary <u>Alwen Lyons Jane MacLeod</u>	Company Secretary <u>Alwen Lyons Jane MacLeod</u>	Deputy Company Head of Secretariat Secretary <u>Victoria Moss Veronica Branton</u>	Audit, Risk and Compliance Committee/Post Office Board
Version and Status:	Policy Review Period	Effective from :	Policy location:
Draft or Final V1.5 ¹	Annual from effective date	November 2018 ⁶ (TBC)	Z:\NEW COMPLIANCE\New Policy Framework 2015\Refreshed Policies 2016

DOCUMENT REVISION HISTORY			
Version	Date	Author	Reason For Change
Draft V1.1	01/07/2016	Victoria Moss	Initial draft
Draft v1.2	06/07/2016	Mark Rodgers/ Mike Morley-Fletcher	Policy standards and Head of Risk review
Draft v1.3	06/07/2016	Susie Hayward/ Victoria Moss	POMS review and review of proposed changes in v1.2
Draft 1.4 Draft v1.4	7/11/2016 04/10/2018	Jane MacLeod Veronica Branton	Annual review Comments following RCC review
Draft v1.5	04/10/2018	Veronica Branton	Annual review

POLICY APPROVAL		
Role/Forum	Name	Date
Executive Owner and Sponsor	<u>Jane MacLeod</u> Alwen Lyons, Company Secretary	Oct Nov 2018 ⁶ (TBC)
Executive Committee Group Executive	Post Office Risk and Compliance Committee (RCC) PO Insurance MS Executive Committee	Oct Nov 2018 ⁶ (TBC) Oct 2018
Board or Board Committee	Post Office Board PO Insurance MS Board ¹	Oct Nov 2018 ⁶ (TBC) Nov 2018

DOCUMENT DISTRIBUTION STATUS			
Distribution (Mark x as appropriate)		Document Sensitivity (Mark x as appropriate)	
Internal Only	X	Non-sensitive	
External Only		Sensitive	X

QUALITY STATEMENT

¹ Registered name: Post Office Management Services Limited.

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Quality Control	Next review date
This document is periodically reviewed and at least once each year starting from the last effective date. This policy has been reviewed against the latest Post Office Group Policy Standards.	March 2019 ⁷

Section A. Introduction

Chief Executive's Note

Post Office is committed to doing things correctly. Our Business Standards are our code of behaviours that represent the conduct we expect. This policy supports this code by ensuring the highest standards of managing conflict of interest risk are maintained.

This policy sets out what is and what is not acceptable in general terms but if you have any doubts or questions, these should be referred in the first instance to ~~Alwen Lyons~~ Jane MacLeod, Company Secretary, who oversees compliance with this policy. It is essential that you read this policy.

Introduction by the Group Executive Policy Owner: Company Secretary

As Post Office's Company Secretary and the Group Executive Policy Owner I have overall accountability to the Group Executive and the Board for ensuring that any potential conflicts of interest are identified, recorded and managed appropriately. This policy is reviewed on a regular basis and Post Office's Board and its Audit, Risk and Compliance Committee consider and are updated on conflict of interests as necessary.

Section B. Context

About this Policy

The purpose of this policy is to manage Post Office's risks associated with any conflict of interest. Post Office is committed to the principle that the decision making of its directors, members of its Group Executive or any of its employees should not be improperly influenced by outside interests, including those of related parties.

This policy sets out what we must all do to identify, record and manage the risks associated with any conflict of interest. This includes apparent and potential conflicts which may increase reputational risk.

This policy should be read and used in conjunction with the Post Office Group Anti-Bribery and Anti-Corruption Policy (incorporating the Gifts and Hospitality Policy) and other Post Office key policies and procedures including, but not limited to, specific areas of its business such as procurement.

This policy enables us to comply with our obligations under applicable legislation and with regulatory requirements. It also promotes compliance with the Nolan Seven Principles of Public Life, encouraging adherence to high ethical standards in all that we do.

This policy's effective date will be determined by the date on which final approval is given by the appropriate governance forum.

What is a conflict of interest?

A conflict of interest can arise when the interests of Post Office, its subsidiaries, its directors, employees, agents or third party suppliers conflict with another of these parties or are different from those of our customers.

In relation to conflicts of interest, Post Office is required to comply with legislation including the following:

- **Companies Act 2006,**
- **Post Office Articles of Association,**
- **Post Office ~~Management Services Limited Insurance~~ Articles of Association,**
- **Financial Conduct Authority Handbook,**
- **Public Contract Regulations 2015.**

Post Office also strives to comply with the **Nolan Seven Principles of Public Life** in conducting its business.

Conflicts of interest can take many forms including: actual, apparent, potential and political. These conflicts can arise in different ways, for example:

- conflicting roles and responsibilities of individuals in the duties they perform – *those directors or members of staff who have roles within both Post Office and POMS Insurance may be conflicted in how they discharge their responsibilities for each organisation;*
- the manner in which individuals are remunerated may influence how duties are prioritised or performed – *sales volumes may be emphasised over quality of service;*
- long term or preferential relationships with third party suppliers – *this may influence, or be perceived to influence, procurement procedures, contractual negotiations, or management of contractual relationships; or*
- accepting hospitality or gifts from third party suppliers or customers – *this could lead to bias or undue influence, or the perception of such, in how individuals exercise their duties and responsibilities.*

This list is not intended to be exhaustive.

Legislative and Regulatory Background

There are a number of legislative and regulatory requirements and principles in relation to conflicts of interest which Post Office and its subsidiaries must comply with.

Post Office statutory directors (executive or non-executive) and any statutory directors of any subsidiaries within Post Office Group, are subject to section 175 of the **Companies Act 2006** *Duty to avoid conflicts of interest*. This section states that:

- s175(1) A director of a company must avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company.
- s175(2) This applies in particular to the exploitation of any property, information or opportunity (and it is immaterial whether the company could take advantage of the property, information or opportunity).

Companies Act 2006 section 176 *Duty not to accept benefits from third parties* and section 177 *Duty to declare interest in proposed transaction or arrangement* are also applicable.

Statutory directors must notify the Company Secretary of all transactions or potential transactions in which they, or a related party (see definition on page 9), have an interest and any situation or activity which may involve a conflict of interest. This will then be reported to the Board for consideration as to effect of the conflict and how the conflict should be managed.

The Post Office **Articles of Association** (Articles 82 and 83) sets out the process for exceptions for statutory directors, including authorisation by the Board.

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The PO ~~InsuranceMS~~ **Articles of Association** (Article 13) sets out the process for exceptions for statutory directors, including authorisation by the Board.

For the provision of its financial services and insurance products, Post Office is an approved appointed representative (AR) of Bank of Ireland (UK) plc (BoI) and Post Office ~~Insurance Management Services Limited (POMS)~~. The FCA handbook (Chapter 10 10.1.3) includes requirements for firms to manage conflicts of interest:

A firm must take all appropriate steps to identify and to prevent or manage conflicts of interest between:

(1) the firm, including its managers, employees and appointed representatives (or where applicable, tied agents), or any person directly or indirectly linked to them by control, and a client of the firm; or

(2) one client of the firm and another client, that arise or may arise in the course of the firm providing any service referred to in n SYSC 10.1.1R including those caused by the receipt of inducements from third parties or by the firm's own remuneration and other incentive structures.

FCA Handbook, Chapter 10: "...firms must maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent conflicts of interest from constituting or giving rise to a material risk of damage to the interests of its clients."

As an AR, Post Office is obliged to comply with these requirements.

Post Office is subject to the **Public Contract Regulations 2015**, from which Regulation 24 deals with conflicts of interest:

Public Contract Regulations 2015, Regulation 24 "(1) Contracting authorities shall take appropriate measures to effectively prevent, identify and remedy conflicts of interest arising in the conduct of procurement procedures so as to avoid any distortion of competition and to ensure equal treatment of all economic operators.

"(2) For the purposes of paragraph (1), the concept of conflicts of interest shall at least cover any situation where relevant staff members have, directly or indirectly, a financial, economic or other personal interest which might be perceived to compromise their impartiality and independence in the context of the procurement procedure.

"(3) In paragraph (2) 'relevant staff members' means staff members of the contracting authority, or of a procurement service provider acting on behalf of the contracting authority, who are involved in the conduct of the procurement procedure or may influence the outcome of that procedure; and 'procurement service provider' means a public or private body which offers ancillary purchasing activities on the market."

Ethical considerations

The **Nolan Seven Principles of Public Life** apply to anyone working to deliver public services, considered to be both servants of the public and stewards of public resources. The seven principles are: selflessness; integrity; objectivity; accountability; openness; honesty; and leadership. All of these principles are at risk if conflicts of interest are not managed and therefore this policy addresses these principles and encourages Group-wide adherence to high ethical standards in all that we do.

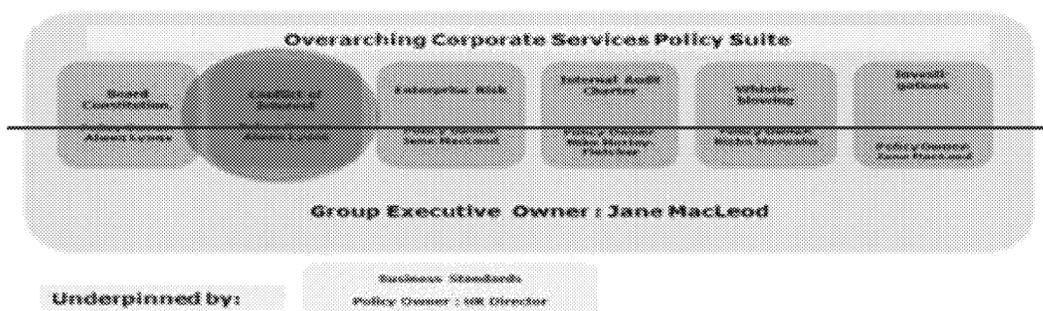
Risk Appetite

The Post Office risk appetite is averse for not complying with law and regulations or deviation from its business conduct standards. This policy reflects this appetite and sets out controls to reduce and/or mitigate any such risks.

How do we organise conflicts of interest?

This policy sits within a broader corporate governance family policy structure. It is one within a suite of policies and each should be read in conjunction with the others. The Corporate Governance policy suite is shown below.

Policy framework structure – Corporate Services



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Corporate Governance Policy Suite (GE Owner Jane MacLeod, General Counsel)	
Policy name	Policy owner
Board Constitution (Articles of Association, Matters Reserved, Delegated Authorities)	Alwen Lyons, Company Secretary
Conflict of Interest	Alwen Lyons, Company Secretary
Enterprise Risk	Mike Morley-Fletcher, Head of Risk & Assurance
Internal Audit (Internal Audit Charter)	Mike Morley-Fletcher, Head of Risk & Assurance
Whistleblowing	Nisha Marwaha, Employment Lawyer
Investigations	Jane MacLeod, General Counsel

The Corporate Governance Policy Suite is underpinned by

The Code of Business Standards

Neil Hayward, Group People Director

Who is responsible?

Post Office's Board of Directors has overall responsibility for ensuring that Post Office has a framework to ensure compliance with legal, regulatory and contractual requirements. The Board is kept abreast of relevant matters relating to the management of conflicts of interest by reports from its committees including its Audit, Risk and Compliance Committee. The key individuals and their specific responsibilities in relation to this policy are:

- The **Company Secretary** is a member of the Post Office Group Executive team and is the Group Executive Owner and policy Sponsor, accountable to the Board.
- The **POMS Insurance Board** has responsibility for monitoring PO InsuranceMS's compliance with the policy, especially in regard to PO InsuranceMS's particular requirements as a regulated entity.
- The **Company Secretary** is the policy Owner who is responsible for the overall implementation of and compliance with this policy and is accountable in this regard to the General Counsel.
- The **Deputy Company Secretary Head of Secretariat** is the policy Implementer who is responsible for and accountable to the policy Owner for the day to day implementation of the policy (including monitoring).
- The **POMS-PO Insurance Director Head of Risk and Compliance** is responsible for the day to day implementation of the policy (including monitoring) within PO InsuranceMS and is accountable to the policy Owner.

Within the Business:

- Members of the Post Office Group Executive are responsible for managing all conflict of interest risks within their respective areas.
- Members of the PO InsuranceMS Executive Committee are responsible for managing all conflict of interest risks within PO InsuranceMS.
- The Post Office Director of Procurement has particular responsibility for the management of conflicts of interest relating to procurement activities.

Who must comply and how?

Compliance with this policy is mandatory for all Post Office Group statutory directors, employees, officers, contractors, casual workers and agency workers. This policy applies wherever in the world Post Office's business is undertaken. All third parties

who do business with Post Office Group, including consultants, suppliers and business and franchise partners, will be asked to agree contractually to this policy or to comply with their own equivalent policy.

This policy also applies to related parties which means, for a statutory director or an employee:

- spouse or civil partner and children
- other relatives who share their residence
- trust of which they are a Trustee or Beneficiary
- partnership of which they are a partner
- a business entity of which they are a director or officer or in which they hold a similar position
- a business entity of which they own or control, directly or indirectly five per cent or more.

It is important that you read, understand and comply with this policy. Your actions, behaviour and conduct to apply the provisions of this policy are your responsibility.

You must adhere to all parts of this policy. You should avoid any activity which may lead to a breach of this policy. We may request your confirmation of agreement to this policy. You must notify your line manager, in the first instance, as soon as possible if you reasonably believe or suspect that a breach of this policy has occurred or may occur.

You may request a policy exception or waiver to this policy, but you must follow the Post Office's exceptions and waivers procedures, a copy of which can be obtained from the Policy Owner, the Company Secretary. The Post Office's Articles of Association, Articles 82 and 83, and the PO InsuranceMS Articles of Association, Articles 13.3 and 13.4, sets out the process for directors to notify conflicts to enable the respective Boards to determine whether and how to manage the conflict.

If non-compliance with this policy and/or its controls is/are identified the matter must be referred to the Company Secretary. Any investigations should be carried out in accordance with the Investigations Policy. If the cause is found to be due to wilful disregard or negligence, it will be treated as a disciplinary offence.

Adherence to this Policy does not in any way relieve any person to whom this policy applies from complying with any laws, statutes, regulations, by-laws or rules applicable to a particular transaction.

Section C. Policy Details

Policy Statement

General Responsibilities for all Employees

All Employees **must**:

- Make all business decisions in the best interest of their employer. For the majority

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of employees this will be PO Limited; however for some it will be PO Insurance. Except in certain limited cases, the duty to act in the best interest of Post Office Limited or PO Insurance will be aligned. Where such a conflict or perceived conflict arises, employees must discuss this with their line manager or with the PO Limited or PO Insurance Company Secretary.

- Avoid engaging in any private or personal business interest that may conflict with the duties and responsibilities owed to Post Office.
- Avoid any business or other interest outside Post Office which creates excessive demand upon the time and effort of the employee and thereby deprives Post Office of the employee's best efforts.
- Declare to line manager and the Company Secretary any transactions or potential transactions in which they, or a related party, have an interest and any situation or activity which may involve a conflict of interest.
- Declare to line manager and HR Services and the PO Limited or PO Insurance Company Secretary (whichever is relevant), any outside employment, directorship or material shareholding, as these may be contrary to PO Limited or PO Insurance's commercial or regulatory interest or bring it into disrepute.
- Review continuously their individual situations to avoid becoming involved in a conflict of interest situation where no such conflict previously existed.

Employees **must not**:

- Engage in any transaction or pursue any activity directly or indirectly in competition with Post Office, unless prior written authority has been obtained from the Company Secretary.
- Be employed by or accept a position as director or officer of or acquire a substantial ownership interest (five per cent or more) in any other company or other business entity, without prior written approval from the Company Secretary.

Our Controls

Post Office has legal and regulatory obligations to implement systems and controls to prevent and manage conflicts of interest.

The design of these controls aims to establish a framework to:

- reasonably identify, deter, prevent and manage any potential conflict of interest;
- respond to the risks of conflict of interest in a comprehensive and proportionate manner; and
- align to this policy and to related policies, such as the anti-bribery and anti-corruption policy.

Conflict of Interest Controls	Description
Contract approvals and execution process	The contract approval process is managed by the Company Secretary's office and requires separation between the 'contract owner' who approves the contract for execution and the 'authorised signatory' who signs the contract.
Directors' declarations	<p>All statutory directors are required on appointment to disclose any outside interests. They are further required to confirm these interests on an annual basis or when any changes occur.</p> <p>Directors are asked to declare any <u>new</u> conflicts at the beginning of each formal meeting and these are recorded in the minutes.</p> <p>If a conflict arises within a meeting the Board will determine whether the director in question should absent themselves for the appropriate period or, in accordance with the relevant Articles, be permitted to remain, and whether he/she may participate in the discussion giving rise to the conflict. Any decision or action will be recorded in the minutes and the register.</p>
Register	Post Office maintains a conflicts of interest register in which actual and potential conflicts of interest are recorded as they arise as well as the measures taken to address each such conflict.
Gifts and hospitality	All statutory directors and employees are made aware of and expected to comply with the gifts and hospitality procedures as set out in the anti-bribery and anti-

Conflict of Interest Controls	Description
	corruption policy.
Incentive Payments	If Incentives are made to staff, systems and controls must be are put in place to assess the risk and monitor behaviours and conduct.
Procurement processes	All procurement and ongoing supplier management must be carried out in accordance with Post Office procurement processes.
Reporting	All those covered by this policy must report immediately and in writing any situation or activity which may involve a conflict of interest. This report should be made to their line manager who will report to the Company Secretary and the issue may be escalated to the General Counsel (for more information please see Section D below). These will be recorded in the register.
Training and competence	<p>Training is a mandatory part of induction. All employees and contractors must be trained on what constitutes a conflict of interest and the steps to be taken where one is identified.</p> <p>It may be appropriate for specific training to be received by those working in certain areas, such as Procurement or PO InsuranceMS.</p>
Governance	Appropriate governance controls are in place and documented to manage potential conflicts, including regular reporting by the Company Secretary to the Risk and Compliance Committee and an annual overview to Audit, Risk and Compliance Committee and Board.

Section D. Governance

How do we monitor compliance?

The Company Secretary will ensure that this policy is implemented, reviewed and remains effective. Post Office internal systems of risk control ensure that conflict of interest controls in this policy are regularly independently assessed for effectiveness suitability and adequacy. Post Office Internal Audit retains independent third line oversight with regard to this policy.

We assess compliance with this policy on a regular timely basis and regular conflict of interest reports will be issued by the Company Secretary to the Post Office Risk and Compliance Committee and the PO ~~InsuranceMS~~ Risk, Compliance and Conduct

Committee and escalated if appropriate. An annual overview will be submitted to the Post Office Board and its Audit, Risk and Compliance Committee, prior to which a POMS Insurance overview will be submitted to its equivalent committee.

We require our third parties to have at least equivalent arrangements, systems and controls to this policy.

How do you raise a concern?

Any Post Office employee who has concerns about a failure to comply with this policy has a duty to:

- discuss the matter fully with their line manager;
- discuss it directly with their head of business unit;
- bring it to the attention of the Company Secretary; or
- bring it to Post Office's attention independently of management, via the Speak Up Line (see Section E 'References' for more information).

The matter will then be reported to the Company Secretary ~~and may be escalated to the General Counsel.~~

Contact us and more information

If you need further information about this policy or wish to report an issue in relation to this policy, please contact ~~Alwen Lyons~~ Jane MacLeod, Company Secretary, at jane.macleod@alwen.lyons **GRO**

Section E. Key Terms and References

Key Terms

Term or Acronym

Description

PO_InsuranceMS
FCA
HR

Post Office Management Services Limited
Financial Conduct Authority
Human Resources

References

Description

1. Business Standards

Post Office Group rules of behaviour setting out at high level the conduct it expects of its staff in all Post Office undertakings.

3. Post Office Group/Post Office

Post Office Limited and all subsidiaries and entities within the Post Office Group.

4. Whistleblowing policy

In case of concerns staff may contact their line manager, a senior member of the HR Team, or if either or both are not available staff can contact Post Office's General Counsel, Jane MacLeod who can be contacted by email on: whistleblowing@GRO. Alternatively staff can use the Speak Up service available on [GRO](http://www.intouchfeedback.com/postoffice) or via a secure on-line web portal: <http://www.intouchfeedback.com/postoffice>

POST OFFICE LIMITED
BOARD

PAGE 1 OF 1

Terms of Reference

Author: Veronica Branton

Sponsor: Jane MacLeod

Meeting date: 30 October 2018

Executive Summary

Context and proposal

1. The Remuneration Committee reviewed its Terms of Reference (ToR) at its last meeting on 25 September 2018 and seeks the Board's approval of the revised ToR (revised ToR Appendix 1; current ToR at Appendix 2).
2. The only substantive change proposed to the Committee's responsibilities is to add approval and review of a framework for non-executive fees for PO Insurance. Other changes are stylistic to bring to the fore the Committee's responsibilities, highlight whether it is taking a decision, making a recommendation to the Board or Shareholder or receiving information and assurance on topics within its remit. The sections on composition and governance and meetings have been moved to the end of the ToR¹.
3. The current ToR includes responsibilities for PO Insurance executive remuneration but not non-executive remuneration. The following addition is proposed:

"Remuneration Strategy PO Insurance: Non-Executive

2.20 a) To **approve** the remuneration framework within which the fees for Non-Executive Directors of the Post Office Insurance Board may be paid where an appointment is recommended by the Nominations Committee.

b) To **review** annually the remuneration framework for Non-Executive fees for the Post Office Insurance Board."

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Input Sought

1. The Board is asked to approve the revised ToR on the recommendation of the Remuneration Committee.

Input Received

2. Remuneration Committee
3. Group Director of HR and the Director of Reward and Pensions.

¹ These are broadly consistent across the Committees.

Strictly Confidential

Terms of Reference of the Remuneration Committee

The Remuneration Committee (the "Committee") is a Committee of the Post Office Limited Board (the "Board"), from which it derives its authority and to which it reports after each meeting.

1. Role

The Committee's main role is to:

- i) make sure that appropriate group remuneration strategies are in place for PO Limited and its subsidiaries to be able to attract, retain and motivate the executive management required to run the Company successfully¹ without paying more than is necessary
- ii) approve and recommend for approval, where required, the remuneration packages of senior executives and fees for Non-Executive Directors
- iii) recommend for the approval of the Shareholder, the criteria for, and outturn of performance related pay arrangements for Executive Directors and executives who report directly to the Chief Executive (STIP)
- iv) recommend for the approval of the Shareholder, performance related incentive schemes and changes to these for Executive Directors, executives who report directly to the Chief Executive and any other eligible employees (LTIP)
- v) have oversight of the group remuneration strategy for the wider organisation.

2. Responsibilities of the Committee

Remuneration Strategy for PO Limited: Executive

- 2.1 a) To **recommend** to the Board for approval the remuneration strategy for the Chief Executive, executive directors and those executives who report directly to the Chief Executive, taking into account the remuneration policy set for other employees.
- b) To **review** the group remuneration strategy annually and recommend any changes to the Board for approval.
- 2.2 To **approve** the remuneration package in respect of new hires proposed by the Nominations Committee. This shall align with the group remuneration strategy approved by the Board. In the case of the Chief Executive and other

¹ In doing so, regard will be paid to the views of the Shareholder and other stakeholders; all relevant legal, regulatory and corporate governance requirements; the risk appetite of the Company and alignment to its long-term strategic goals, structuring of a significant proportion of remuneration to link rewards to corporate and individual performance and designed to promote the long-term success of the company.

executive directors, the remuneration package shall, as set out in the paragraph below, be recommended for **approval** by the Shareholder.

- 2.3 To **recommend** to The Secretary of State for Business, Energy and Industrial Strategy for approval, each element of the total individual remuneration package of the Chief Executive and other executive directors, both existing and for new hires, including any increases in salary (whether or not resulting from company-wide pay increases), pension provision and the outturn of performance related pay arrangements and incentive schemes. The recommendations shall align with the group remuneration strategy approved by the Board.
- 2.4 To **approve** the elements which will form the remuneration package for an individual in the above group, which may include, but shall not be restricted to:
- base salary
 - short term incentive (annual bonus)
 - Long Term Incentive Plan
 - pension provision
 - benefits such as car or car allowance, private health, holidays
 - contractual terms such as notice periods.
- The recommendations shall align with the group remuneration strategy approved by the Board.
- 2.5 To keep under **review** the contractual terms applicable to executive directors such that payments adhere to the group remuneration strategy approved by the Board.
- 2.6 To **receive information** on each element of the remuneration package and total remuneration for new hires and any internal promotions and appointments which are proposed to carry a salary in excess of the lowest salary of any executive who reports directly to the Chief Executive.
- 2.7 To **review** annually the overall total remuneration of the Senior Group (defined as the Chief Executive, executive directors and those executives who report directly to the Chief Executive) compared both with external market comparators and with the remuneration of other employees in the Group.
- 2.8 a) To **recommend** for approval by the Shareholder the implementation of, or changes to, performance related incentive schemes for the Executive Directors, executives who report directly to the Chief Executive and senior managers eligible to be invited to participate in the Post Office Long Term Incentive Plan (LTIP).
- b) To **review** annually the performance related incentive schemes for the executive directors, executives who report directly to the Chief Executive

and senior managers eligible to be invited to participate in the Post Office Long Term Incentive Plan (LTIP).

- 2.9 a) To **recommend** for approval by the Shareholder, the criteria for, and the outturn of, performance related pay arrangements (STIP) for executive directors and executives who report directly to the Chief Executive, subject to authorisation from the Shareholder.
- b) To **review** annually the criteria for, and outturn of, performance related pay arrangements (STIP) for executive directors and executives who report directly to the Chief Executive.
- 2.10 To **receive information** on the total outturn of performance related pay arrangements across the business.
- 2.11 To **approve** the exit package for any individual with a salary above the lowest salary of those executives who report directly to the Chief Executive, where the exit package would be in excess of contractual obligations.
- 2.12 To **undertake** any other function delegated to the Committee by the full Board.

Remuneration for Non-Executive Directors

- 2.13 To **recommend** to the Board for **approval** by the Shareholder fees for Non-Executive Directors of PO Limited.

PO Insurance Board²

Remuneration Strategy PO Insurance: Executive

- 2.14 a) To **approve** the remuneration strategy for PO Insurance on the recommendation of the PO Insurance Board.
- b) To **review** annually the remuneration strategy for PO Insurance following its review by the PO Insurance Board.
- 2.15 To **approve** the remuneration package for executive appointments to the PO Insurance Board on the recommendation of the Nominations Committee. The recommendations shall align with the remuneration strategy for PO Insurance.
- 2.16 To **approve** the elements which will form the remuneration package for an individual in the above group, which may include, but shall not be restricted to:

base salary

² Registered name: Post Office Management Services Limited.

short term incentive (annual bonus)
 Long Term Incentive Plan
 pension provision
 benefits such as car or car allowance, private health, holidays
 contractual terms such as notice periods.

- 2.17 To keep under **review** the contractual terms applicable to executive directors of PO Insurance such that they adhere to the remuneration strategy for PO Insurance.
- 2.18 To **review** annually the overall total remuneration of the Senior Group (defined as any members of the PO Insurance Board) compared both with external market comparators and with the remuneration of other employees in the Group.
- 2.19 To **review** annually the criteria for, and the outturn of, performance related pay arrangements for executive directors of the PO Insurance Board. These should align with the remuneration strategy for PO Insurance.

Remuneration Strategy PO Insurance: Non-Executive

- 2.20 a) To **approve** the remuneration framework within which the fees for Non-Executive Directors of the Post Office Insurance Board may be paid where an appointment is recommended by the Nominations Committee.
- b) To **review** annually the remuneration framework for Non-Executive fees for the Post Office Insurance Board.

3. Annual Review

- 3.1 The Committee will undertake an annual review of its own performance and the Terms of Reference and recommend to the Board any necessary changes.

4. Composition and Governance

- 4.1 The Remuneration Committee is constituted as a sub-committee of the Board and its Chairman shall be appointed by the Board. If considered independent at the time of appointment, the Chairman of the Company may be a member of the Committee, but shall not chair it.
- 4.2 Members of the Committee shall be appointed by the Board, acting on the recommendation of the Nominations Committee and in consultation with the Chairman of the Remuneration Committee.
- 4.3 The Committee shall be made up of at least two independent Non-Executive directors. Only Non-Executive directors shall be eligible to be members of the

Committee such that no individual shall be involved in determining their own remuneration.

- 4.4 In the absence of the Chairman of the Committee at any meeting, the Committee members present shall determine who shall chair the meeting.
- 4.5 Members of the Committee will normally serve for a period of three years. Their appointment may be renewed for a further three year period but no director shall serve as a member of the Remuneration Committee for a period of more than six years.
- 4.6 Only members of the Committee have the right to attend Committee meetings. The Chief Executive and the Group HR Director (or the holder of any equivalent position) shall be informed of the date of each meeting and may be invited by the Committee Chairman to attend all or part of any meeting, as and when appropriate.
- 4.7 The Company Secretary shall not be a member of the Committee but shall act as Secretary to the Committee and shall keep minutes and records of each meeting and ensure regular reporting by the Committee to the full Board.
- 4.8 Minutes of each meeting will be circulated to all members of the Committee and, once agreed, to those members of the Board who have no personal interest in the matters discussed. Where a conflict of interest exists, the Company Secretary will provide sufficient information to the full Board to provide an understanding of the matter(s) considered.
- 4.9 If so requested by the Board or by the Shareholder, the Committee shall provide an annual report on its activities.
- 4.10 The Committee shall have access to sufficient executive time and resources in order to carry on its duties, including access to the Company Secretary and members of the HR team.
- 4.11 The Committee shall be authorised to seek any information it requires from any employee of the Company in order to perform its duties.
- 4.12 The Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting terms of reference of remuneration consultants and have authority to appoint remuneration consultants and to obtain, at the Company's expense, legal or other professional advice on matters within its terms of reference as required, up to a financial limit determined by the Board.
- 4.13 If there should be disagreement between the Remuneration Committee and the full Board, the Chairman of the Board shall make time available for discussion of the issue so that the matter may be resolved. Where any such

disagreement cannot be resolved, the Remuneration Committee shall report the issue as part of any annual report on its activities required by the Shareholder.

- 4.14 Training will be provided by the Company for members of the Committee, as required. Such training may take the form of internal briefings, attendance at formal courses and conferences and/or sessions with external advisers.
- 4.15 Members of the Committee shall conduct an annual review of the Committee's performance.

5. Meetings

- 5.1 The Committee shall meet as often as required but not less than three times each year. The Committee may meet in person, by telephone or by other electronic means, so long as each member can contribute to the business of the meeting simultaneously.
- 5.2 The quorum necessary for the transaction of business shall be 2 members.
- 5.3 Meetings may be convened by the Secretary to the Committee, at the request of the Committee Chairman, or by any member of the Committee, at any time.
- 5.4 Notice of each meeting shall be given to all members of the Committee and any other person required to attend, at least 3 working days before each meeting.

Recommended by:	Approved by:	Version:	Effective from:
Remuneration Committee	PO Limited Board	V1	[?]
Remuneration Committee	PO Limited Board	V2	25 March 2015
Remuneration Committee	PO Limited Board	V3	25 November 2015
Remuneration Committee	PO Limited Board	V4	[30 October 2018]

**TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE AS AGREED
BY THE BOARD ON 25th NOVEMBER 2015 AND REVIEWED BY COMMITTEE
ON 12th APRIL 2016**

PURPOSE

The purpose of the Remuneration Committee is to recommend to the Board the remuneration strategy and any changes to individual elements of the remuneration package for executive directors of Post Office Limited (the Company); members of the Group Executive who report directly to the Chief Executive; other significant senior level appointments with comparable remuneration; and to provide an oversight function for the remuneration of the directors of the Post Office Management Services Limited (POMS) board, as determined by the Board. Any changes in remuneration for directors of the Company must be approved in advance by the Shareholder. The remuneration of the Chairman and of non-executive directors will be set by the Shareholder.

A. COMPOSITION AND GOVERNANCE

1. The Remuneration Committee is constituted as a sub-committee of the Board and its Chairman shall be appointed by the Board. If considered independent at the time of appointment, the Chairman of the Company may be a member of the Committee, but shall not chair it.
2. Members of the Committee shall be appointed by the Board, acting on the recommendation of the Nominations Committee and in consultation with the Chairman of the Remuneration Committee.
3. The Committee shall be made up of at least two independent non-executive directors. Only non-executive directors shall be eligible to be members of the Committee such that no individual shall be involved in determining their own remuneration.
4. In the absence of the Chairman of the Committee at any meeting, the Committee members present shall determine who shall chair the meeting.
5. Members of the Committee will normally serve for a period of three years. Their appointment may be renewed for a further three year period but no director shall serve as a member of the Remuneration Committee for a period of more than six years.
6. Only members of the Committee have the right to attend Committee meetings. The Chief Executive and the Group People Director (or the holder of any equivalent position) shall be informed of the date of each meeting and may be invited by the Committee Chairman to attend all or part of any meeting, as and when appropriate.

7. The Company Secretary shall not be a member of the Committee but shall act as Secretary to the Committee and shall keep minutes and records of each meeting and ensure regular reporting by the Committee to the full Board.
8. Minutes of each meeting will be circulated to all members of the Committee and, once agreed, to those members of the Board who have no personal interest in the matters discussed. Where a conflict of interest exists, the Company Secretary will provide sufficient information to the full Board to provide an understanding of the matter(s) considered.
9. If so requested by the Board or by the Shareholder, the Committee shall provide an annual report on its activities.
10. The Committee shall have access to sufficient executive time and resources in order to carry on its duties, including access to the Company Secretary and members of the HR team.
11. The Committee shall be authorised to seek any information it requires from any employee of the Company in order to perform its duties.
12. The Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting terms of reference of remuneration consultants and have authority to appoint remuneration consultants and to obtain, at the Company's expense, legal or other professional advice on matters within its terms of reference as required, up to a financial limit determined by the Board.
13. If there should be disagreement between the Remuneration Committee and the full Board, the Chairman of the Board shall make time available for discussion of the issue so that the matter may be resolved. Where any such disagreement cannot be resolved, the Remuneration Committee shall report the issue as part of any annual report on its activities required by the Shareholder.
14. Training will be provided by the Company for members of the Committee, as required. Such training may take the form of internal briefings, attendance at formal courses and conferences and/or sessions with external advisers.
15. Members of the Committee shall conduct an annual review of the Committee's performance.

B. MEETINGS

1. The Committee shall meet as often as required but not less than three times each year. The Committee may meet in person, by telephone or by other electronic means, so long as each member can contribute to the business of the meeting simultaneously.
2. The quorum necessary for the transaction of business shall be 2 members.

3. Meetings may be convened by the Secretary to the Committee, at the request of the Committee Chairman, or by any member of the Committee, at any time.
4. Notice of each meeting shall be given to all members of the Committee and any other person required to attend, at least 3 working days before each meeting.

C. DUTIES AND RESPONSIBILITIES WITH REGARD TO THE COMPANY

The main duties and responsibilities of the Committee with regard to the Company are:

1. to recommend to the Board the remuneration strategy for the Chief Executive, executive directors and those members of the Group Executive who report directly to the Chief Executive, always taking into account the remuneration policy set for other employees.
2. in determining such strategy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code (the Code) and associated guidance. The objective of such strategy should be to attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary having regard to views of shareholders and other stakeholders. The remuneration policy should have regard to the risk appetite of the company and alignment to the company's long strategic term goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Company.
3. review the ongoing appropriateness and relevance of the remuneration strategy.
4. with the consent of The Secretary of State for Business, Innovation and Skills, determine each element of the total individual remuneration package of the Chief Executive and other executive directors, both existing and for new hires, including any increases in salary (whether or not resulting from company-wide pay increases), pension provision and the outturn of performance related pay arrangements and incentive schemes.
5. to determine the elements which will form the remuneration package for an individual in the above group, which may include, but shall not be restricted to:

base salary
short term incentive (annual bonus)
Long Term Incentive Plan
pension provision

benefits such as car or car allowance, private health, holidays
contractual terms such as notice periods

6. to keep under review the contractual terms applicable to executive directors such that payments made are fair to the individual and to the company, that success, rather than failure, is rewarded and that the duty to mitigate loss is fully recognised.
7. to work with the Nominations Committee in respect of new hires, such that the Remuneration Committee can recommend to the Board an appropriate level of remuneration which will attract talent but not be excessive.
8. to receive information on each element of the remuneration package and total remuneration for new hires and any internal promotions and appointments which are proposed to carry a salary in excess of the lowest salary of any member of the current Group Executive.
9. to review the overall total remuneration of the Senior Group (defined as the Chief Executive, executive directors and members of the Group Executive) compared both with external market comparators and with the remuneration of other employees in the Group.
10. to review and recommend to the Shareholder the implementation of, or changes to, performance related incentive schemes for the executive directors, Group Executive members and senior managers eligible to be invited to participate in the Post Office Long Term Incentive Plan.
11. to review and agree the criteria for, and the outturn of, performance related pay arrangements for executive directors and Group Executive members, subject to authorisation from the Shareholder.
12. to review the total outturn of performance related pay arrangements across the business.
13. to approve any exit package for any individual with a salary above the lowest salary within the Group Executive membership, where the exit package would be in excess of contractual obligations.
14. to undertake any other function delegated to the Committee by the full Board.

D. DUTIES AND RESPONSIBILITIES WITH REGARD TO POMS

The main duties and responsibilities of the Committee with regard to POMS are as follows, to provide an oversight function for remuneration of senior executives within POMS:

1. to ensure the remuneration strategy for and any appointments to the POMS board is consistent with remuneration policies within the Company, always taking into account the remuneration policy set for other employees.
2. to ensure each element of the total individual remuneration package of the executive directors of POMS, both existing and for new hires, including any increases in salary (whether or not resulting from company-wide pay increases), pension provision and the outturn of performance related pay arrangements and incentive schemes is consistent with remuneration policies within the Company.
3. to ensure the elements which will form the remuneration package for an individual in the above group, are consistent with remuneration policies within the Company and may include, but shall not be restricted to:

base salary

short term incentive (annual bonus)

Long Term Incentive Plan

pension provision

benefits such as car or car allowance, private health, holidays

contractual terms such as notice periods

4. to ensure the contractual terms applicable to executive directors of POMS such that payments made are fair to the individual and to the company, that success, rather than failure, is rewarded and that the duty to mitigate loss is fully recognised.
5. to work with the Nominations Committee in respect of new hires to the POMS board such to ensure that levels of remuneration will attract talent but not be excessive and will be consistent with remuneration policies within the Company.
6. to review the overall total remuneration of the Senior Group (defined as any members of the POMS board) compared both with external market comparators and with the remuneration of other employees in the Group.
7. to ensure the criteria for, and the outturn of, performance related pay arrangements for executive directors of the POMS board is consistent with remuneration policies within the Company.

E. ANNUAL REVIEW

1. The Committee will undertake an annual review of its own performance and the Terms of Reference and recommend to the Board any necessary changes.
2. These Terms of Reference were last reviewed by the Committee on 12th April 2016.

Post Office Limited Sealings

Author: Veronica Branton

Sponsor: Jane MacLeod

Meeting date: 30 October 2018

Executive Summary

Context

The Directors are invited to consider the seal register and to approve the affixing of the Common Seal of the Company to the documents set out against items number 1711 to 1728 inclusive in the seal register.

Input Sought

For the Directors to resolve that the affixing of the Common Seal of the Company to the documents set out against items numbered 1711 to 1728 inclusive in the seal register is hereby confirmed.

13.1

Strictly Confidential

POST OFFICE LIMITED
Register of Sealings

Date
18.09.2018

Company Number
21554540

Seal Number / File Ref.	Date of Sealing	Date of Authority	Description of Document	Persons Attesting To Document	Destination of Document
1711 / Licence to assign	01/10/2018	26/09/2018	Licence to Assign in respect of 44 Sydenham Road, Lewisham, London SE 26 5QX between the Mayor and Burgesses of the London Borough of Lewisham and Post Office Limited and ZCO Limited and Potent Solutions Limited. Seal 1711(x4).	Jane MacLeod, Company Secretary	Jean Reynolds
1712 / Agreement for sale	01/10/2018	26/09/2018	Agreement for sale in respect of leasehold of 44 Sydenham Road, Lewisham, London SE 26 5QX between Post Office Limited and ZCO Limited.	Jane MacLeod, Company Secretary	Jean Reynolds
1713 / S198 Notice of an election	01/10/2018	26/09/2018	Notice of an election to use an alternative apportionment in accordance with section 198 Capital Allowances Act 2001 in respect of 44 Sydenham Road, Lewisham, London SE 26 5QX - leasehold interest. Seller Post Office Limited, Buyer ZCO Limited.	Jane MacLeod, Company Secretary	
1714 / Deed of rectification	01/10/2018	26/09/2018	Deed of rectification between the Mayor and Burgesses of the London Borough of Lewisham and Post Office Limited in respect of a lease dated 27 April 2018 - 44 Sydenham Road, Lewisham, London SE 26 5QX. Seal no 1714 (x2).	Jane MacLeod, Company Secretary	Jean Reynolds
1715 / TR1	01/10/2018	26/09/2018	Transfer of whole registered title in respect of Ground Floor, 44 Sydenham Road, Lewisham, London SE 26 5QX from Post Office Limited to ZCO Limited (09033841). Limited Title Guarantee.	Jane MacLeod, Company Secretary	Jean Reynolds
1716 / Access Licence	01/10/2018	28/09/2018	Access Licence relating to Post Office, Towngate, Ossett between Royal Mail Estates Limited and Post Office Limited and Mohammed Jassat.	Jane MacLeod, Company Secretary	Jean Reynolds
1717 / Licence for alteration	01/10/2018	28/09/2018	Licence for alterations relating to Ossett Delivery Office, Towngate, Ossett WF5 9AA between Royal Mail Estates Limited and Post Office Limited and Mohammed Jassat.	Jane MacLeod, Company Secretary	Jean Reynolds
1718 / Licence for alterations	01/10/2018	28/09/2018	Licence for alterations relating to Post Office, Towngate, Ossett between Post Office Limited and Mohammed Jassat.	Jane MacLeod, Company Secretary	Jean Reynolds
1719 / TR1	01/10/2018	01/10/2018	TR1 in respect of 113 Market Jew Street, Penzance TR18 2LB. Transferor Post Office Limited. Transferee Bost Developments Limited 09352782. Transfer with limited title guarantee.	Jane MacLeod, Company Secretary	Jean Reynolds
1720 / Capital Allowances Election	01/10/2018	01/10/2018	Capital Allowances Election Notice in respect of 113 Market Jew Street, Penzance TR18 2LB. Seller Post Office Limited. Buyer Bost Developments Limited. Accompanied by a signed letter from the Company Secretary confirming that, in relation to the debenture in favour of the Secretary of State for Trade and Industry dated 17 October 2003, none of the events that would give rise to crystallisation of the debenture have occurred.	Jane MacLeod, Company Secretary	Jean Reynolds
1721	04/10/2018	04/10/2018	Deed of surrender and release relating to a lease of premises known as Great Dunmow Crown Post Office, High Street, Great Dunmow, CM16 1AL	Jane MacLeod, Company Secretary	Legal
1722	10/10/2018	10/10/2018	Master Franchise Agreement between Post Office Limited and WH Smith High Street Limited (CAF : 1081)	Paula Vennells, Chief Executive Officer	
1723	10/10/2018	10/10/2018	Fourth Deed of variation of the collaboration agreement between POI, WH Smith High Street Limited and WH Smith Travel Holdings Limited.	Paula Vennells, Chief Executive Officer	

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POST OFFICE LIMITED
Register of Sealings

Date
18.09.2018

Company Number
21554540

Seal Number / File Ref.	Date of Sealing	Date of Authority	Description of Document	Persons Attesting To Document	Destination of Document
			(Seal x 3) CAF: 1081		
1724	10/10/2018	10/10/2018	Deed of variation of the framework agreement for the operation of post office concession at WH Smith Stores. (Post Office Limited, WH Smith High Street Limited, WH Smith Retail Holdings Limited). (Seal x 3) CAF: 1081	Paula Vennells, Chief Executive Officer	
1725	10/10/2018	10/10/2018	Deed of variation of the Paddington Master Franchise Agreement between Post Office Limited and WH Smith High Street Limited. (Seal x 2) CAF: 1081	Paula Vennells, Chief Executive Officer	
1726	16/10/2018	15/10/2018	Renewal lease by reference to an existing lease relating to 18 John Street, Llanelli	Jane MacLeod, Company Secretary	legal
1727	16/10/2018	15/10/2018	Transfer to whole of registered titles relating to 18 John Street, Llanelli	Jane MacLeod, Company Secretary	Legal
1728	18/10/2018	18/10/2018	Licence to occupy relating to the Turntable at 7/8 St Martin's Place, London. Post Office Limited and Best Effort Ventures Ltd	Jane MacLeod, Company Secretary	Legal

POST OFFICE LIMITED
BOARD

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Performance Review – Health & Safety

Author: Martin Hopcroft

Sponsor: Al Cameron

Meeting date: 30th Oct 2018

Executive Summary

Context

Keeping our employees healthy and safe is fundamental to Post Office success. This is reflected in the Post Office Board's legal responsibilities and members of the board have both collective and individual responsibility for health and safety.

We have a rolling 3-year plan to drive compliance, targeting a reduction in safety metrics including accidents; lost time accidents (LTIFR); days lost; and personal injury claims. Our H&S reporting and safety management system has been externally audited and we also recognise the importance that wellbeing can play in creating engaged and motivated employees.

Questions addressed in this report

What are the trends on accidents and on violence across Post Office?

Conclusion

The prevention of accidents has improved materially year in year. Whilst we have seen a reduction in the volume of incidents during September and early October, a spike in August and a recent increase in violent robberies and ATM rip-outs have raised our concerns. There has been a reduction in CVIT incidents during the period August to October (2) compared to the previous 3 months (8).

Whilst there is some recent concern regarding Post Office robberies, overall there has been a 35% annual decrease (50 incidents in 18/19 vs 77 incidents in 17/18). However, injuries have shown a slight increase compared to last year (8 in 18/19 vs 6 in 17/18), all of which were relatively minor assaults. There has been a 35% decrease in all types of weapons carried during robberies (41 in 18/19 vs 63 in 17/18) and a 55% reduction in the number of blades and knives being carried (17 in 18/19 vs 38 in 17/18). ATM attacks are currently showing an overall 88% increase, 15 (2018/19) vs 8 (2017/18). We have developed an ATM Risk model which shows 707 of 2545 ATMs as high risk. 67% of all ATM crime this year has occurred in the high risk bracket.

There have been a number of successes following installation of mitigating upgrade equipment. For example, of the 90 fogging kits installed in 2017/18, only one branch suffered a robbery which was prevented when the fog was activated by the post master. To mitigate risk further, the Security team have used risk profiling models to identify c. 1200 high risk branches in the network and we have approved £3m spend on rolling fogging and IP cameras out to these branches. There was also an attempted ATM gas

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attack where the gas suppression system prevented any build-up of gas. The 3G and Pinhole cameras have also resulted in 3 arrests to date. A number of initiatives have been agreed for Chester CVIT, following the recent increase in violence, including scoping an 'ink degradation of notes' system for iBoxes, route planning and variation, external security escorts for cross pavement, higher number of live stream cameras on vehicles in Liverpool area with vehicle wrap appealing to community to report crime.

There has been an increase in accidents reported in P6 (12), with 9 reported in Supply Chain, mainly due to a lack of attention and incorrect procedures being followed. One resulted in lost time of 2 days. There has been a 28% reduction in accidents reported in 18/19 compared to 17/18 (20 v 38) mainly due to a 47% decrease in Supply Chain (20 v 38 YTD). Accidents per 1000 employees have reduced by 25% with Supply Chain reducing to 24.4 from 46.8 (-48%). Lost time accidents have reduced (LTIFR P6 YTD is 0.200 vs 0.283 in 17/18). Lost days have also reduced by 65% (110 vs 310 in 17/18).

The external HSL audit action plan is progressing, including H&S training workshops for DMB and Supply Chain Managers with similar training planned for Network Operations teams in November. The Supply Chain safety plan is progressing well with safety champions attending workshops, undertaking self-audits, identifying hazards and improving culture. We are also reviewing risk assessments and safe systems of work.

Whilst we have seen a reduction in road traffic accidents in line with the reduction in fleet size, we are hoping to see further improvement through the introduction in Supply Chain of Telemetry (tracking and analysis of driving performance) and Alcolock (breathalyser integration with key management). The Road Risk Policy has been approved by Safety Board. We will work to strengthen driver safety training with the help of Brake and include guidance on how to alleviate fatigue whilst driving.

The overall risk for property statutory compliance remains low at 96.28%

- Fabric Surveys have been completed, showing our premises are mainly in a satisfactory condition with all high risk actions completed.
- Landlords' compliance across 138 sites has been checked. Sites with unsatisfactory responses have been audited no significant issues identified.
- The Fire Risk Assessment inspections have been completed for 2018 and 89% actions have been closed out. The Risk Profile has reduced significantly.
- We have confirmed our signage inspection policy meets the national signage consortium best practices. We have also confirmed that POL are liable to inspect c.3800 'local' agency signs, mainly low risk lozenge signs. This will commence in 18/19, starting with signs over 3 years old (c. 50%) and in harsh weather areas.
- 98.67% waste was diverted from landfill and recycled/recovered in September

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Input Sought

The Post Office Board are requested to note the current health safety performance and content of this report. A more detailed report and further discussion on Violence and Robberies is planned for the November Board meeting.

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Appendix 1

Health & Safety Metrics – P6 (Sept) 2018/19

Number of Employee Accidents – Monthly - Period 6 (Target to achieve a year on year reduction)

Period	2016/17	2017/18	2018/19
P1	9	9	6
P2	8	20	7
P3	14	9	8
P4	21	10	7
P5	9	12	7
P6	15	5	12

There were 12 employee accidents in P6 18/19 compared to 5 in 2017/18 and 47 YTD 18/19 v 65 YTD 17/18.

DMBs – Accidents are about the same level as last year at 23 YTD. Causation has been due to stepping/striking objects. However, there has been a reduction in lifting / handling related accidents and falls on the premises.

Supply Chain – There has been a marked reduction in Supply Chain accidents to 20 YTD 2018/19 from 38 in 17/18, a reduction in vehicle related accidents (non RTA) and stepping/striking related accidents with a slight increase in lifting/handling related incidents and injuries following assault.

The H&S and L&D teams are updating the H&S training modules, inc manual handling, for issue to Supply Chain colleagues from Q3. The Supply Chain Safety Plan is also progressing, 3 workshops have been attended by Safety Champions and a fourth booked in November to share best practice, lessons learnt and promote safety culture. IOSH Managing Safely training courses have been attended in Q2 and a self-audit tool is being used by champions to support their local PiCs. A number of improvement opportunities have been identified by the Champions eg tail lift and loading and unloading, safe system for manual rotation of Personnel Transfer Units (trapping hazard).

Overall, there have been 5 lost time accidents in POL in 2018/19, incurring a total of 110 lost days, a 65% reduction when compared with 2017/18.

Days lost due to accident / 000 employees - Cumulative

Period	2016/17	2017/18	2018/19
P1	10	10	10
P2	15	15	15
P3	25	25	25
P4	35	35	35
P5	45	45	45
P6	75	40	20

NEAR MISSES – A total of 3 in P6 (Sep). **DMBs** – 1 reported. 2 intoxicated homeless customers entered branch and passed out, endangering themselves.

Supply Chain – 2 near misses recorded in September. 1. Briggs Engineer collided with barrier when servicing Kombi (large) vehicle in Swindon SS. Comms sent to all drivers at this site advising to take extra care.

2. Commercial Driver jumped amber light. Interviewed, verbal warning given.

Directly Managed Branch Accidents P6 YTD

Year to Date	Value
16/17	28
17/18	24
18/19	23

Supply Chain Accidents P6 YTD

Year to Date	Value
16/17	26
17/18	38
18/19	20

Road Risk
P6 18/19 – A total of 10 RTCs

Blameworthy – 7
There has been a 10% reduction in blameworthy road traffic collisions in 18/19 compared to 17/18

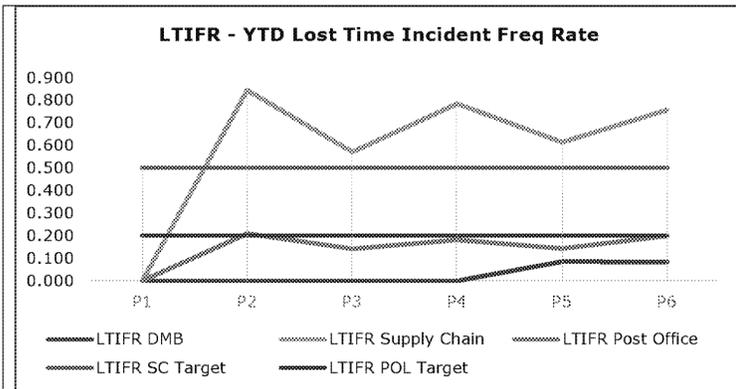
Non Blameworthy – 3

Initiatives include:

- A new overarching Road Risk Policy has been developed and signed off by Safety Board, with improved training, compliance checks and maintenance checks to cover Commercial Fleet, Business & Personal Cars.
- Road Risk and H&S teams are scoping products to alleviate fatigue and improve journey planning.
- Online driver training has been provided to employees who drive on business with ongoing support from the H&S BPs.
- Crash investigation courses have been provided to Transport Managers and H&S BPs.

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All Post Office – Employee LTIFR P6 YTD
 YTD P6 – 0.200
 2017/18 out turn – 0.271
 2018/19 target – 0.200
 Benchmark – 0.300
 Absence accidents/000 SiP:
 1.43 P6 YTD v 2.17 (17/18)

Supply Chain – Employee LTIFR P6 YTD
 YTD P6 – 0.615
 2017/18 out turn – 0.820
 2018/19 target – 0.500
 Benchmark 0.600 (BSIA update Q2)
 Absence accidents/000 SiP
 6.11 P6 YTD v 7.38 (17/18)

Post Office CVIT Robberies – P6

There was zero incidents reported in Sep v 3 in 17/18 and there have been 20 incidents v 17 over previous 12 rolling months. There were no incidents of violence or any injuries reported.

Current mitigating activity:

- Work well underway to deliver Crimestoppers campaign in October in West Midlands following a number of CVIT (and branch) robberies during the calendar year.
- Police meeting with Police Scotland at Glasgow Depot included walk through for greater clarity and understanding of operation.
- 204 Cross Pavement Observations (CPOs) undertaken by Security Managers during period, including 34 on Merseyside by local Security Manager.
- Security Manager also working closely with Merseyside Police to cover off as many deliveries in high risk areas as possible between them at present.
- Working to ensure most up to date equipment is deployed as quickly and comprehensively as possible on high risk Liverpool routes.

Post Office Robberies – last 6 mths:

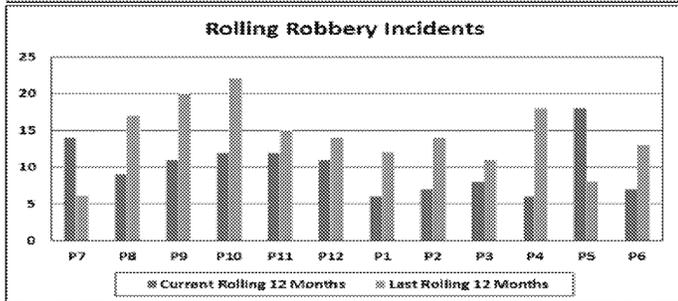
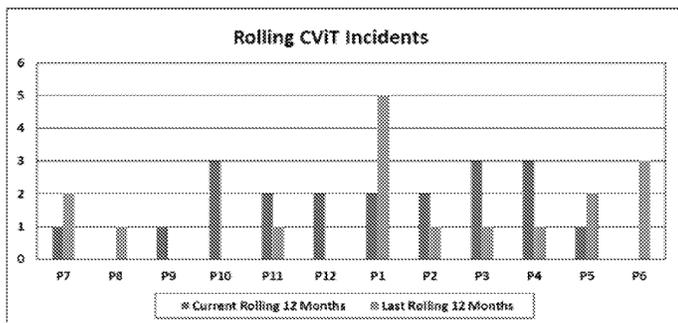
- Apr – 6 incidents v 12 (17/18)
- May – 7 incidents v 14 (17/18)
- June – 8 incidents v 11 (17/18)
- July – 6 incidents v 18 (17/18)
- Aug – 18 incidents v 8 (17/18)
- Sep – 7 incidents v 13 (17/18)

There have been 121 robberies current rolling 12 mths v 170 previous period.

It is a concern that the level of violence increased in P5 and the presence of firearms (not discharged) has also increased. P6 returned to normal levels.

Mitigation

- Drafting article on Security Ops Manual availability and adherence.
- 36 Torch visits conducted in numerous areas, many at branches in close proximity to robbery targets.
- 16 DMB visits undertaken and full security reviews incorporated.
- Meetings held with Staffordshire and Hampshire Police to discuss closer links and future strategies.
- The deployment of fogging and IP cameras is aimed to reduce robberies and the associated risks, as noted zero injuries, where activated.
- Security presentations delivered at regional NFSP meetings and for franchise partners.



P5 Aug - 18 incidents. Violence- 4 vs 0 last year, Injuries – 2 vs 0 last year (bruising from baseball bats). Weapons - 16 (9 firearms, 4 blades) vs 7 in 16/17 (0 firearms, 4 blades). **P6 Sep – 5 incidents.** Weapons – 4 (1 firearm, 3 blades inc machete). Injuries 1 (cut leg).

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POST OFFICE
BOARD

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Post Office Limited Board Meetings

Author: Veronica Branton

Meeting date: 30 October 2018

Executive Summary

Context

The Directors are requested to note the future meetings dates scheduled in respect of Post Office Limited Board meetings.

Input Sought

The Board is requested to note the future meeting dates.

The Report

2018/2019

	Date		Time	Notes
Tuesday	27 November	2018	11.45 – 16.30	
Tuesday	29 January	2019	11.45 – 16.30	
Tuesday	26 March	2019	11.45 – 16.30	
Tuesday	28 May	2019	11.45 – 16.30	
Tuesday	30 July	2019	13.00 – 18.00	Away Day
Wednesday	31 July	2019	08.30 – 16.00	Away Day
Tuesday	24 September	2019	11.45 – 16.30	
Tuesday	29 October	2019	11.45 – 16.30	
Tuesday	26 November	2019	11.45 – 16.30	

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Draft Board Agenda for meeting on 27 November 2018

Description of Item	Timings	Origin	GE Sponsor	Presenter	Required Outcome
Minutes of previous Board and Committee meetings including Status Report	5	Board action from previous meeting		Jane MacLeod	Decision
CEO Report	20	Standing item		CEO	For Noting
Financial Performance Report	20	Standing item		CFOO	For Noting
Cyber Security	30	Update	Rob Houghton	Veronica Branton	For Noting
Future of Cash - Banking Framework 2	30	Decision	Debbie Smith	Martin Kearsley	Decision
Retail Strategy	45	Decision	Debbie Smith	Tom Moran	Decision
Postmaster Litigation	15	Update	Jane MacLeod		For Noting
Bol Negotiations	30	Decision	Owen Woodley	Chrysanthy Pispinis	Decision
Marketing Effectiveness and Customer Insight	30	Update	Owen Woodley	Emma Springham	For Noting
Health and Safety Report (including a review of robbery risk and violence)	15	Update	Al Cameron	Martin Hopcroft	For Noting
Total Number of Minutes	240				

Draft Board Agenda for meeting on 29 January 2019

Description of Item	Timings	Origin	GE Sponsor	Presenter	Required Outcome
Minutes of previous Board and Committee meetings including Status Report	5	Board action from previous meeting		Jane MacLeod	Decision
CEO Report	20	Standing item		CEO	For Noting
Financial Performance Report	20	Standing item		CFOO	For Noting
2019/20 Budget (first draft)	20	Update	Al Cameron		For Noting
Telecoms Strategy	30	Update	Owen Woodley	Meredith Sharples	For Noting
ATM Partner	30	Decision	Debbie Smith	Martin Kearsley	Decision
Costs	20	Update	Al Cameron/ Debbie Smith		For Noting
Customer Hub Strategy and Business Case	20	Update	Owen Woodley	Henk Van Hulle / Jeff Smyth	
FS&T & Retail Quarterly Update	30	Update	Owen Woodley / Debbie Smith		
Total Number of Minutes	195				