

Post Office Board Agenda

Date:	28 July 2020	Time	10.00 – 15.00 hrs	Location	Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ 1.19 Wakefield
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Present		Other Attendees		
• Tim Parker (Chairman)	• Carla Stent	• [REDACTED]	• Dan Zinner (Chief Transformation and Strategy Officer) (Item 4.)	
• Nick Read (CEO)	• Alisdair Cameron (CFO)	• [REDACTED] (Item 4.)	• [REDACTED] (Item 7.)	
• Ken McCall (SID)	• Zarin Patel	• Ben Foat (General Counsel) (Items 6. & 7.)	• Owen Woodley (Chief Commercial Officer) (Item 5.)	
• Tom Cooper	• Lisa Harrington	• [REDACTED] (Item 5.)	• [REDACTED] (Items 6. & 7.)	
Agenda Item				
Agenda Item		Action Needed	Lead	Timings
Performance and current issues				
1.	Welcome and Conflicts of Interest	Noting	Chairman	10.00 hrs
2.	Minutes and Matters Arising ¹ 26 th May 2020, 25 th June and 30 th June 2020.	Approval	Chairman/ [REDACTED]	10.05 hrs
3.	CEO Report	Noting & Input	Nick Read	10.10 hrs
4.	Finance			10.40 hrs
	4.1 Financial Performance Report	Noting & Input	Al Cameron/ [REDACTED] Dan Zinner	
	4.2 Four Year Plan and Funding Request	Approval for recommendation to Shareholder		
5.	RMG MDA2	Decision	Owen Woodley/ [REDACTED]	12.10 hrs
Lunch				12.50 hrs
6.	GLO separation	Decision	Ben Foat/ [REDACTED]	13.35 hrs
7.	Post GLO implementation plan (including Postmaster Contract reform)	Noting & Input	Ben Foat/ [REDACTED]	14.05 hrs
Approvals				
8.	8.1 Belfast Exit Plan 8.2 Procurement risks 8.3 Post Office Operating Model	Approval		14.50 hrs
Noting and Governance Items				
9.	9.1 Health & Safety Report 9.2 Starling (Workers' rights case) 9.3 Sealings 9.4 Future Meeting Dates 9.5 Forward Agenda			
10.	Any Other Business	Noting and Input	Chairman	
11.	Date of next scheduled meeting: 22 September 2020.	Noting	Chairman	

¹ The minutes of the Board meetings to discuss the CCRC cases are approved at those meetings.

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MINUTES OF A MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON TUESDAY 26 MAY 2020 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ BY CONFERENCE CALL AT 11:00 AM¹

Present:	Tim Parker	Chairman (TP)
	Nick Read	Group Chief Executive Officer (NR)
	Ken McCall	Senior Independent Director (KM)
	Tom Cooper	Non-Executive Director (TC)
	Carla Stent	Non-Executive Director (CS)
	Zarin Patel	Non-Executive Director (ZP)
	Lisa Harrington	Non-Executive Director (LH)
	Alisdair Cameron	Group Chief Finance Officer (AC)
In attendance:	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
		(Item 5.)
	Dan Zinner	Group Chief Strategy and Transformation Officer (DZ) (Items 5. & 7.)
	Owen Woodley	Group Chief Commercial Officer (OW) (Items 6. & 7.)
	[REDACTED]	[REDACTED] (Item 7.)
	[REDACTED]	[REDACTED]
	Jeff Smyth	Interim Chief Information Officer (JS) (Digital briefing session)
	[REDACTED]	[REDACTED] (Item 8.)
	Ben Foat	Group General Counsel (BF) (Item 8.)
	[REDACTED]	[REDACTED] (Item 8.)
	[REDACTED]	Herbert Smith Freehills [REDACTED] (Item 8.)
	[REDACTED]	Herbert Smith Freehills [REDACTED] (Item 8.)

Action

1. Welcome and Conflicts of Interest

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

2. Minutes of Previous Board meetings (08th April 2020, 17th April 2020, 27th April 2020 and 14th May 2020) including Status Report

The Board **APPROVED** the minutes of the Board meetings held on 08th April, 17th April, 27th April and 14th May 2020.

The Board **NOTED** progress with the completion of actions as shown on the action log. The majority of actions were to close but where they remained open we needed to confirm dates for coming back to Board.

3. Committee updates (verbal)

3.1 ARC

Carla Stent reported that the ARC had approved the Internal Audit Plan and Charter at its meeting on 19 May 2020. The Terms of Reference review had been completed and the Committee evaluation report discussed. The Committee was encouraged by the good response to Covid-19 and had noted the risks as we moved from the crisis phase into the recovery stage. Branch Hub had gone live and the majority of Postmasters should have registered by the end of June 2020. The Committee had considered our approach to situations where we were required to provide evidence to support law enforcement and Ben Foat would be undertaking further work on this to reflect a number of points raised by the Committee. The ARC had agreed that the top 145 contracts should be reviewed and the

¹ Participation in the meeting was entirely via Microsoft Teams from participants' personal addresses. In such circumstances the Company's Articles of Association (Article 64) require that the location of the meeting be deemed as the chairman's location. However, it was not deemed appropriate to record personal addresses on the Company record. As such, the Registered Office is recorded as the meeting location.



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balance of 1,500 should be renewed in the normal course of business. Exceptions to compliant procurement processes would be coming to the Board for approval.

Performance and current issues

4. CEO Report

Nick Read introduced his report and highlighted how we had been dealing with the Covid-19 situation and were planning to move to the recovery phase. We felt that our relationship with Postmasters was continuing to improve with 5,800 now registered on Branch Hub which provided a better mechanism for staying in touch and providing support. There had been week-on-week improvements in the network, including opening hours and the number of branches open. Our assumption was that the travel market would start to reopen in the next couple of months. There had been green shoots in insurance trading. Bills Payments stood at 60% of normal trading volumes while Telco remained flat. The Verify volumes continued to rise, linked to the uptake in Universal Credit. We would be entering a more complicated phase as we moved to return to office work. A survey was going to be sent to employees to gauge concerns and to help inform how we should roll out the return to some office working. We did not envisage a rapid return to the office and certainly not before July 2020.

In our strategy paper we had tried to bring together Purpose, Strategy and Growth outputs with the NEO work programmes and the overlay of Covid-19 and the litigation position.

A number of initiatives had been pursued to support our vulnerable customers.

John Manzoni was remaining in government to support the digital identity agenda and we would be having conversations with his team in June 2020.

Nick Read had been speaking with John Ashworth, the former CEO of Collect+ about Bills Payments and how the Payzone network could be used which would link into our strategy discussions and how we should define a Post Office.

The approach to Postmaster remuneration during the Covid-19 crisis appeared to have been right, with no big major reaction to the approach we were proposing for June 2020. There had been fairly limited calls on the hardship scheme so far. Nevertheless, there was a challenging industrial relations position ahead of us with difficult conversations required with the unions and criticism anticipated with the resumption of DMB franchising.

Discussions with the Royal Mail Group (RMG) continued but had been slower than anticipated over the last two weeks. RMG would nevertheless want to use their results notifications in mid-June 2020 to announce a new deal with Post Office.

The quarterly Shareholder meeting had taken place on 30th April 2020 and subsequent meetings with the Minister at which the “good bank/ bad bank” idea had been noted. We did not yet have a date for the reconvened BEIS Select Committee on Horizon issues.

There had been an erroneous story in the Sunday Mirror about a Post Office re-branding spend for which we had sought a correction. The Radio 4 Series on the “Great Post Office Trial” had started on 25 May 2020 but had not included any issues of which we had been unaware. We were anticipating a busy week especially if the Minister made his statement in relation to a public inquiry on Post Office and the Horizon issues.

A number of points were raised, including:

- Zarin Patel asked whether we were concerned about the health of our partners, noting the revenue declines suffered by WHSmith during the Covid-19 crisis. Nick Read reported that the CEO of WHSmith had requested a meeting last week. The company had raised an additional [REDACTED] at the start of crisis and their Post Office customer satisfaction scores had improved. We had carried out some contingency planning around partners, especially in relation to McColls, although their position had improved
- Tom Cooper reported that the terms of reference (ToR) for the Post Office inquiry were likely to cover, 1) a) Has Post Office learnt lessons from the case and the judgments. b) Are there processes in place to make sure this does not happen again 2) Have Postmasters been able to tell their side of the story on the case. The ToR would have to be approved by the Cabinet Office but were likely to be issued this week. There could be a further inquiry if this review was principally future focussed.



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- Ken McCall asked about the functionality of Branch Hub and whether any reconciliations went through this system. It was reported that Branch Hub was largely a communications tool at the moment and was driving down call centre volumes. KM noted that it was an excellent development and that it would be helpful to understand all of the operational developments as we moved forward. NR agreed that the executive could bring Branch Hub and how it was going to be used back to the Board and show how it will drive greater efficiency
- Tom Cooper asked about the pay review situation and discussions with the CWU. NR reported that we had our quarterly meeting with CWU on 9 June 2020 and they were aware that we were suspending the pay review as we worked through the implications of Covid-19. There were likely to be some difficult conversations but most people would understand that this was not the right time to make pay rises, while individual organisations needed to be able to justify the decisions they made on bonuses. Al Cameron noted that front line staff were paid more than the market rate but that we had supported honouring the frontline bonuses and there was a distinction between an operational incentive and a bonus.

NR

Category	Value (Estimated %)
1	20
2	95
3	98
4	97
5	100
6	100
7	98
8	100
9	100
10	92
11	100
12	96
13	93
14	95
15	10

■ [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[illegible][illegible]

[REDACTED] reported that a few upward changes had been made including how bonuses were provisioned

Strategy and updates

6. Telecoms

The Chairman welcomed Owen Woodley and [REDACTED] to the meeting.

Owen Woodley introduced the paper. Negotiations on the request for proposals (RFP) had continued until 25 May 2020 because of the condition precedent clause and the lawyers wanting to be sure that we had mitigated the risk of commercial misrepresentation if we signed the RFP and did not proceed with its implementation. However, it was noted that we had been clear with TalkTalk throughout the process that we wanted to proceed with a sale. If we did not sell, we would proceed with the RFP.

██████████ reported that we had worked on the assumption that a sale would go ahead while the contract with Fujitsu was in operation.

A number of points were raised, including:

- Tom Cooper sought confirmation that the draft budget for 2020/21 did not include provision for the RFP implementation costs and this was confirmed. TC advised that this was a short window in which to sell the business and that BEIS and HM Treasury could find these timelines difficult to accommodate. Cooperation would also be needed from Fujitsu to make the timetable viable
- Carla Stent noted that the Fujitsu relationship had been raised at the ARC on 19 May 2020 and that Jeff Smyth, CIO, would be preparing a paper for the Board on this issue. The Fujitsu CEO had recently indicated that they would like to explore a structured early exit agreement. A principles document was being drawn up over the next 2 to 3 weeks
- Lisa Harrington asked whether FirstSource was UK based and [REDACTED] confirmed that it was. LH was surprised by the PJT advice that the telecoms business was operating largely as usual and thought this opinion might need to be tested as well as working timings back from the February 2021 break given how restricted a timeframe this was. LH also noted that it was unusual for the client to pay for the transition costs. [REDACTED] explained that the distinction was that we were asking TalkTalk for a fully managed service. The cost of the switch should be minimal as the customers were already on the TalkTalk network. LH asked whether we had considered the impact on our own teams of managing two contractors and whether we had the capability to do this. [REDACTED] reported that we would be employing two contract managers in the team. The Board noted the need to start the sale process as soon as feasible.

The Board **APPROVED**

- the Telecoms Request For Proposal (RFP) contract key terms
- submission to the Shareholder of the RFP contract key terms for approval
- delegated authority to the CEO and Chief Commercial Officer to proceed to contract signature with TalkTalk and FirstSource once shareholder approval had been received
- █████ of additional spend in relation to the sales process, subject to sign-off of the business case by the executive's Investment Committee.

Digital briefing session from AWS

██████████ provided a presentation to the Board on cloud migration.



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7. Strategy & Vision Update

Nick Read explained that the purpose of the paper was to provide clarity on how the Purpose, Strategy and Growth work (PSG), NEO and the post-Covid and litigation cost worlds fitted together. The funding requirements, how these could be achieved and the issues that needed to be resolved were being worked through for discussion at the July strategy sessions. We were setting out a strategic framework for a highly effective franchise business.

Dan Zinner explained that we wanted to confirm with the Board that these were the right questions and areas of focus, discuss the purpose and vision and note the challenges of capacity and capability.

The historical position, market challenges and our core response to this had been considered by the Board through the PSG outputs in January 2020. These outputs were still valid but Covid-19 had accelerated the challenges and reinforced our purpose as a commercial business which also had a social purpose, while the litigation position had further constrained our funding envelope. NEO included six areas of strategic focus and the questions which needed to be addressed for each work programme.

The strategic framework was designed to align views on where and how our energy and resources should be focussed. It was split into the three areas: Re-setting and fixing the past; Building the Foundations for POL; and, Creating a self-sustaining future commercial business.

The draft purpose was “nobody gets left behind” and to support this it was proposed that the specific access criteria included having Mails and Bills Payments at every post office but no prescribed network numbers. It also meant forging the right relationships with Postmasters with the right contracts. Addressing network issues through franchising DMBs, strengthening IT, right-sizing the business and making sure that the commercial drivers, such as the shape of the Banking Framework and the product sets, were right. The paper included a table with the topics for Board discussion in June and July (regular Board and Strategy sessions) and September 2020.

The Chairman noted that the paper was a useful advance on the last Board discussion but the core structure was the same so it would be helpful to focus on the main issues and establish which the Board saw as uncontentious and which required further consideration and debate.

The Board discussed the issues in turn:

Purpose – it was noted that this was an internal purpose, rather than a marketing strapline. However, the consensus was that the purpose should not be a negative statement and needed to be more progressive and inspirational. We also needed to remember our SME audience. We were the most accessible network in the UK with branches and services across the country. Nick Read noted that there were political drivers for “levelling up” and we needed to fuse the political will for this with our social purpose and commercial and SME market

Resolving the past – the Board was supportive of this approach. Tom Cooper noted that this was not just an issue for government, it was also about making the organisation fit for purpose for the future. This was agreed but linked into the relationship, representation and contract with Postmasters

Fit for purpose network – we had the option to close the DMBs which would provoke a union reaction and be unpopular with some MPs and parts of the media. We had to be clear as a Board that we should be developing a franchise business and moving away from managing DMBs. Al Cameron noted that we might nevertheless want the flexibility to run a post office in certain circumstances, such as putting our staff in a community store if that was required to keep it running.

The Board supported closing the DMB network and accelerating as fast as funding allowed. Tom Cooper noted that key questions for the network included space requirements, automation and how we delivered the changes required in a cost-effective way. Nick Read noted that having DMB staff also increased our central costs but we would need to navigate the opposition to closure carefully

Right-sizing the business – the Board supported this approach strategically and noted that it was intertwined with the shape of the network. Lisa Harrington noted that we had to be pragmatic about our ability to attract the right talent given the limitations within which we operated and would need to think about re-training. Zarin Patel thought we needed to address what we saw as the purpose of the corporate centre and what we wanted it to deliver. Were we trying to deliver the same functions as now at a lower cost or something different? Nick Read explained that we did not have internal capability across all functions currently and were operating as a hybrid of outsourced and internally run. Carla Stent reflected that we needed to think about the key enablers such as IT because patching up the existing model would not work so it would be helpful to understand our options for delivering these changes. Ken McCall noted that there were around 480 field based employees and it



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would be helpful to understand what they did now and what they would be doing in the future. Al Cameron observed that our corporate clients were our most important customers but our relationship managers were often fairly junior staff and we did not have a high standard of contract management in place currently. That would need to change. In addition, the Senior management team was spread too thinly and their remit needed to be simplified to provide the right focus in the right areas. Tim Parker noted that where investment was needed there may be some difficult choices. We needed a fundamental change in the culture of the organisation and the Board was supportive of a major reduction in the staff costs for the organisation

Network strategy – we had to meet the current Shareholder requirements until and unless different targets were agreed. Fundamental questions included whether there should be a target number of branches and product targets (our proposal was that Mails and Bills Payments services should be offered in all branches). Tom Cooper thought that the strategy could be broken down in a different way: a) the network we want to run commercially b) the network that would have to be paid for by the tax payer. Making these positions plain provided a clearer choice for Ministers. Tim Parker agreed that we needed to make clear our service obligation to Government. If Government wanted us to keep open more branches they could be given a menu of options such as offering cash but TP was concerned that we were trying to present ourselves as a social purpose organisation that therefore should be supported by the state, rather than a commercial organisation that provided some services which delivered a social purpose. TC noted that the deal with the Royal Mail Group would drive certain obligations and we would also have to operate some branches which were unprofitable to be attractive to clients. Al Cameron commented that there could be more Post Office outlets providing PUDO through the Payzone network which would give us more flexibility. From a commercial perspective we would not offer cash at every Post Office. Dan Zinner noted that we wanted to have a narrow universal offering of Mails and Bills Payments Services but have the flexibility to add on cash to deliver a social purpose where this was required. The requirement for the universal provision of a wide range of services added to our costs substantially. It would also help us to attract Postmasters if we could offer them a menu of services to choose from. TC noted that the social obligation was primarily connected to the provision of cash rather than mails which was driven by the RMG obligation² but that BEIS understood that cash requirements were changing. Lisa Harrington observed that Post Office's uniqueness was our network scale and we needed to make sure that we had the right partners. Dan Zinner noted that we were investigating being able to offer different pricing structures which would be important for the services we wanted to offer. TP noted that we would need to have a reasoned discussion about managing a sensible network of a suitable scale. Even a reduced network would be much larger compared with others and we could not retain uncommercial branches which were not funded to deliver particular services. The Board would need to see a clear set of options for the network in June 2020, including what happened to costs as you added or retracted services or reduced branch numbers. Al Cameron noted that there would inevitably be elements of the strategy we adopted now that turned out to be wrong in some respects or needed to be adjusted in a few years' time. For this reason it would be preferable to move away from a fixed set of rules and build in flexibility to be able to adapt to changing circumstances. It was agreed that this also needed to be part of the RMG contract discussions. TC reported that the BEIS view was that a public consultation was likely to be required to change the access criteria. The response to proposals to reduce branch numbers was likely to be less adverse if we could show that the access criteria that would still be met. Preparatory work was needed to get answers to questions Ministers were likely to be asked on the impact of removing some of the SGEIs. DZ noted that we would make sure this was addressed in the June and July Board sessions on the network

Cash supply chain – we needed to review the cash supply chain from a cost perspective, which to some extent tied into the size of the network. We could write a flexible contract on delivery numbers with an external supplier. We were reasonably efficient in how we operated the service now but were reviewing potential efficiencies and outsourcing again. Outsourcing would not be uncontroversial but if we retained the current redundancy provisions would be less contentious. Ken McCall noted that should be following the principle of consolidating the cash supply into the network on one platform

Fujitsu/ Horizon – we needed to assess our options. There were opportunities for transformation but we were circumscribed by costs of doing so. The work supported by McKinsey on exit strategies had begun and Lisa Harrington was participating in a deep dive to look at these. Nick Read reported that

² It was explained that a branch network number was not included in the contract with RMG but the requirement linked to RMG being able to deliver its Universal Service Obligation.



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we were holding discussion with Fujitsu and there were no arguments against looking at these options. Tim Parker suggested that in structuring our IT for the future, one of the ways of making our franchise more attractive was to have a simple, bolt-on IT component and that a key part of the strategy had to be making us one of the simplest franchises of which to be part. Lisa Harrington noted that there were options which entailed a business model change not just an IT change. Dan Zinner noted that we also wanted to hold Fujitsu to account for the work they needed to deliver under the contract

Cash Market – Tim Parker noted a substantial piece of work was needed to define the Banking Framework 3 proposition for the banks. It had to be attractive to both parties as we remained the largest remaining player in a declining market for cash. Tom Cooper noted that we had to maximise the benefits of being part of this market because it was not a market we could exit because of our social purpose. Carla Stent thought that we needed to be able to help the banks solve some of the problems they faced

Financial Services - Tom Cooper noted that our plans for Financial Services (FS) were not prominent in the strategy. Nick Read explained that the main focus here was on cash and banking and included the foreign exchange debit card. TC asked what we were trying to offer customers in the FS space and what a coherent FS strategy would look like for Post Office. NR reported that Travel was a key element. We had renegotiated the deal with the Bank of Ireland (BoI) but were unclear what that relationship was going to be in longer term. We had included FRES for prioritisation but not the question of the wider BoI relationship but we knew that they were losing money on their deal with Post Office currently. We would be reverting to the Board with options for insurance, potentially for divestment. TC noted that Post Office was trusted for the savings accounts it offered. Owen Woodley explained that we could not envisage there being a partner in the current environment that could make a profit through offering a savings account via Post Office

Mails and Pick Up and Drop Off (PUDO) market – Ken McCall noted that he would favour pursuing the development of a PUDO strategy as we had the network scale and facilities to operate in this market and aim to be the PUDO operator with the largest market share in UK. This was a growth option for us. Amazon would be one of the major players in this market so understanding the partnering opportunities would be useful

Financial model/ financial projections– it was noted that the financial model would take shape as some of the other decisions were reached. However, all of the strategic elements would need to be brought together in a set of financial projections. Tim Parker noted that while we had strategic intent we were lacking the numbers and it would be important to define the value in areas such as the Mails strategy. Al Cameron reported that we would bring these numbers to the July Board meeting and align this with the Government spending process. We were likely to need conversations with HM Treasury as well as BEIS. Tom Cooper suggested that it might be necessary to work with the figures following the discussions at the Board Meeting on 14 May 2020 and have a separate conversation about the longer term requirements. AC noted that we would work as fast as possible to enable these conversations to take place and were working with our current view of the post 14th May 2020 figures which would have to be adjusted as the strategy is firmed up. TP thought the Board would need to see the financial results we could achieve once all of the savings and other strategies had been agreed, absent the PUDO and Travel strategy, but including running the network in a different way.

The Chairman summarised the conclusions of the discussion:

- Post Office was a commercial business with a social purpose
- We wanted to remove the management of historical litigation decisions (GLO and Starling) from the present day business
- We wanted to reset our relationship with Postmasters with a fair contract that involved them as part of a fully franchised network
- We would right-size the business as fast as possible
- We would explore our subsidiary element options for FRES and Post Office Insurance
- We would investigate the FRES and travel opportunities further
- We would investigate options for outsourcing supply chain
- We wanted to exit the Fujitsu contract fully or partially
- We would remain in cash and wanted to understand the network requirements to do this and achieve a successful outcome for Banking Framework 3
- Our scope to develop profitably in the digital identity market remained in question



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- We wanted to operate a smaller network that cost less but many questions still had to be addressed to enable these proposals to be delineated
- Further discussions would be needed on funding requirements
- We needed to rule out more and focus on a few core elements.

The Board **NOTED** the paper.

8. Post GLO - Subject to Legal Privilege

8.1 Post GLO Settlement Programme Update

The Chairman welcomed Ben Foat, [REDACTED] and [REDACTED] to the meeting.

Ben Foat introduced the report and sought the Board's approval of the terms of Sir David Calvert-Smith's engagement. Sir David was not a solicitor and not currently at the bar so was not covered by the Bar Standards Board's Code of Conduct and did not have professional indemnity; however, his role was to provide independent oversight of the CCRC process and as an experienced Appeal Court judge he should be able to give us a perspective on how the Court of Appeal might approach the cases. The value of his insight would be as we received the Statements of Reasons and the ongoing need for this advice could be reviewed.

BF reported that Historical Shortfalls Claims Scheme had received 312 claims in the first month at an approximate value of [REDACTED]. The Scheme was due to run for three months and we had set an original budget of 17m. Applications were being processed.

[REDACTED]

The Board:

- **NOTED** the status updates provided on the Post GLO Settlement Programme work streams in the report
- **NOTED** the next steps for each work stream
- **NOTED** and **APPROVED** the terms of Sir David Calvert-Smith's engagement
- **AGREED** that the cost of the legal advice received should be included in the Board update reports. **BF/ CE/AW**

8.2 Postmaster Contracts and Policies

[REDACTED] introduced the report which provided an update on operational improvements and on the work on Postmaster contracts, which the Board had asked to see in more detail. [REDACTED] explained that the work on contracts had a number of parts:

- what we had done with new Postmaster contracts to align these with the findings of the Common Issues judgment. This had entailed codification to update the relevant clauses
- how the judgment had impacted the contract of existing Postmasters. For these contracts we wanted to issue a restatement but this used legal language so we had been discussing the idea of having a Support Charter with the NFSP, which would set out in lay language what the judgment meant
- the position with circa 600 Postmasters who did not have contractual obligations in place. In these cases there was a concern about an overlap with the Starling (Worker's rights) litigation and our QC had advised us not to take action in advance of the case going to court or being resolved. This risk was a pre-existing risk but the question of how we dealt with it and the sequencing remained to be resolved
- work on policies which had been redrafted to comply with the judgments.

It was noted that the documents were GDPR compliant.

[REDACTED] noted that Norton Rose were producing a report which was assessing whether there were any gaps between the work we had done to seek to comply with the Common Issues judgment and the findings in the judgment. This report would be shared with the Board.



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A number of points were raised, including:

- Zarin Patel asked about the status of the Support Charter. [REDACTED] reported that the Support Charter was intended to be a public document
- Ken McCall asked whether we had defined what constituted “adequate training”. KM thought that we needed to set out Post Office’s commitment to specifics like the number of days’ training provided, drawing on best practice principles. [REDACTED] confirmed that we intended to include that sort of information in the Charter. KM also noted that the wording used such as the description of the Horizon system as “reasonably fit for purpose” was not helpful. [REDACTED] explained that we had used Justice Fraser’s words from the judgments but wanted to bring to life in the Support Charter the actions we had taken to address the findings. We had, for example, been transparent about where bugs had been identified in the system and communicated the issue and the fix to Postmasters
- it was noted that the contract re-statement would need to use Justice Fraser’s wording. Ben Foat explained that we would issue the contract re-statement to make sure we complied with the judgments. In due course we would also look at modernising, automating and improving the contracts. Ken McCall asked how we could ensure that our operational processes satisfied the requirements of the judgments. BF thought that this could be set out in an underlying document and would ask for the team to consider this further
- Tom Cooper suggested that we take more time to consider the contracts and the underpinning policies. There were a number of fundamental issues that needed to be addressed and the contracts and policies also needed to be operable for the business
- Ken McCall noted that we needed to be able to show what we had in place to properly investigate any losses now and what we proposed to do in the future. Carla Stent noted that we needed to be able to confirm how we complied with all of the points that had to be addressed.

BF

The Board **AGREED** that a revised paper should be produced building in the points raised by the Board; this could be added to the agenda for one of the CCRC Board calls. Any further points should be sent to [REDACTED]

All

9. Approvals

9.1 PCI-DSS Compliance Business Case

Carla Stent noted that the funding request had increased the original budget spend by 84%. We needed to be clear on our costings and numbers. Other Board Directors concurred with this view and it was noted that successful change spend management was one of the key performance measures. Zarin Patel noted that there were a number of risks associated with the project and we needed to build in contingency and assurance to project costs. It was felt that there were lessons to be learnt and we should revisit these as the project came to a close.

The Board **RESOLVED** to **APPROVE** additional funding of [REDACTED] for the PCI DSS Compliance programme, taking total expenditure to [REDACTED]

9.2 Procurement exceptions

The Board discussed **Appendix 2 – CCS Panel for Management Consulting** where retrospective approval was sought for a variation to the appointment process for a CCS Panel for Management Consulting. This had been approved by GE in February 2020 but it was felt that as consulting engagements would flow through this arrangement approval should be sought from the Board. Tom Cooper reported that a number of questions had been raised in relation to this by the UKGI procurement experts and it was **AGREED** that Al Cameron would discuss these points with Tom Cooper and bring back the proposal to the next Board meeting.

AC/ TC

The Board **APPROVED**:

- the revised approval process for procurement risk exceptions, under which all proposed Procurement Risk Exceptions would be submitted for Board approval *prior* to being entered into, irrespective of value and/or legal risk but with delegated authority granted to GE for emergency Covid 19 procurement activity which fell under PCR Regulation C32.2.c. In addition, a quarterly report would be provided to Board on all planned Procurement Pipeline activity which would include planned route to market, projects at risk of exception and key dependencies.
- the risk exceptions as set out in the following appendices:
Appendix 1 - PREN 11 – GLO Stamps Review



POST OFFICE LIMITED BOARD MEETING
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2.1

Retrospective approval of an award of a new statement of work under the MSA to KPMG (n.b. the figure included in the paper had been corrected from to [REDACTED] The Board also **DELEGATED AUTHORITY** for future low value [REDACTED] work required to support GLO activity where speed was imperative and/or panel firms were conflicted out

Appendix 3 - Common Digital Platform

Approval to proceed to extend an existing extension option, beyond the period of compliance.

Noting and governance items

10.1 Health & Safety Report

Al Cameron reported that we were discussing the risks around branches operating as the lockdown restrictions began to lift.

The Board **NOTED** the Health & Safety Report.

10.2 Sealings

The Board **APPROVED** the affixing of the Common Seal of the Company to the documents set out against item number 1931 to 1954 inclusive in the seal register.

10.3 Future Meeting Dates

The future meeting dates were **NOTED**.

10.4 Forward Agenda

This included the items set out in the Strategy & Vision Update paper, including the shape of the July Strategy sessions.

The forward agenda was **NOTED**.

11. Any other Business

There being no other business the Chairman declared the meeting closed at 16.00 hrs.

12. Date of next scheduled meeting

Additional meeting arranged for 30 June 2020. Next scheduled meetings 28 & 29 July 2020.



POST OFFICE LIMITED BOARD MEETING
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2.2

MINUTES OF AN ADDITIONAL MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON THURSDAY 25 JUNE 2020 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ BY CONFERENCE CALL AT 15:00 PM¹

Present:	Tim Parker	Chairman (TP)
	Tom Cooper	Non-Executive Director (TC)
	Zarin Patel	Non-Executive Director (ZP)
	Lisa Harrington	Non-Executive Director (LH)
	Nick Read	Group Chief Executive Officer (NR)
In attendance:	██████████	████████████████████
	██████████	████████████████████
	Ben Foat	Group General Counsel (BF)
	██████████	████████████████████
	██████████	████████████████████
Apologies:	Alisdair Cameron	Group Chief Finance Officer (AC)
	Ken McCall	Senior Independent Director (KM)
	Carla Stent	Non-Executive Director (CS)

Action

1. Welcome and Conflicts of Interest²

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

2. Contracts Approach

██████████ introduced the paper and described the principal operational improvements that had been made to reflect the findings of the Common Issues Judgment. The Norton Rose Fulbright (NRF) Review set out the findings and how we had delivered against them.

The Board wanted to have confidence that the contract improvements had been made and could be evidenced and this had been discussed by a sub-set of the Board on 17th June 2020. Concerns had been raised at the Board meeting on 26th May 2020 about the contract re-statement because the language from the Judgment would be used in this document.

██████████ described the options as set out in the paper. The recommended option following the meeting on 17th June 2020 included re-writing the contract in modern and accessible language for new Postmasters. The wider work on contract reform would take much longer. A further option was to accelerate a re-contract reform programme. However, the re-contract work would need to address fundamental issues such as settlement and the consensus had been that we could not wait for answers to all the questions required to progress option three. Re-statement of the contract for current Postmasters would show that we had reflected the Judgment and while this used the language of the Judgment it was supplemented by the Postmaster Support Document which was designed to be accessible and helpful. We needed to take these steps to comply with the Judgment.

It was further proposed that we scope the contract reform work and costs, provide an update to the Board on this in July 2020 and seek a decision in September 2020. In the meantime, we would issue the Postmaster Support Guide and direct Postmasters to the contract summary/ contract re-statement.

A number of points were raised, including:

- Zarin Patel asked what the communications would be like for a Postmaster if we followed the approach proposed. ██████████ explained that all the communications would be available on the One website. There would be a simple reference document and Q&As. The contract summary/ contract re-statement would also be available. This would be an interim measure before new contracts were developed but it avoided a Postmaster having to compare the findings of the Judgment which ran to more than 300 pages with their contract

¹ Participation in the meeting was entirely via Microsoft Teams from participants' personal addresses. In such circumstances the Company's Articles of Association (Article 64) require that the location of the meeting be deemed as the chairman's location. However, it was not deemed appropriate to record personal addresses on the Company record. As such, the Registered Office is recorded as the meeting location.

² This meeting is an addition to the scheduled meetings so standard items such as minutes and matters arising have been carried over to the 28 July 2020 meeting.



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2.2

- Zarin Patel asked whether the Board's concerns about Postmaster suspension and re-imbursement had been addressed. ██████ explained that further improvements were not being made to the contract at this stage but we were trying to ensure that the Judgment's findings were reflected and that the contract clauses were enforceable on both sides. ██████ noted that this was one of the reasons our policies were really important. We had to be transparent about when we could terminate a contract. Ben Foat added that we could not continue to issue contracts that did not reflect the findings of the Common Issues Judgment. ██████ noted that while some individuals would still not be satisfied two law firms had reviewed that we were complying with the Judgment. The Roadshows would flag the Postmaster Support Document but this was a package of activities and we were trying to comply with the Judgment and then accelerate the contract reform work. Tim Parker thought that we also needed to view our work through the lens of those leading the Government Inquiry and the terms of reference of that inquiry. We needed to assure ourselves that an external party reviewing what we had done and were planning to do would be confident that our operations, practices and culture were good. Nick Read noted that it would be important to address all of the gaps identified in the NRF Report but being able to demonstrate cultural change as well as process change was imperative. Tim Parker added that we needed to demonstrate that we on route to contract reform not just remediation. We also needed to test frequently that what we were doing worked well for Postmasters. ██████ reported that we were developing a set of measures and getting feedback mechanisms in place and we would be listening to feedback constantly
- Tim Parker noted that we needed to be very clear that future arrangements for investigating discrepancies were fair and transparent
- Tom Cooper thought that our short term actions were very clear but wondered whether we were over interpreting the Judgment in some areas and would welcome a follow-up conversation with NRF
- Tom Cooper noted that he had hoped to see a timetable for re-written contracts for new Postmasters and addressing the risks of the c600 Postmasters without contracts. ██████ explained that work was taking place on a heads of terms for what would be covered in new contracts and an update on this would be provided to the Board in July 2020. ██████ explained that we needed to set out our objectives for contract re-form and understand the dependencies with other work including Project Starling. Tom Cooper recognised that contract reform was a major piece of work undertaken rarely. It was worth doing well but we did need to set out the route map. Tim Parker suggested we collect as many of the "no regret" materials as possible including scope, objectives and timescales
- Lisa Harrington asked how difficult it would be to manage two contracts for some period of time and whether we had thought about the impacts of this. We had to work on the assumption that all the documents and materials we created would be in the public domain and had to consider these from an "outside in" perspective. ██████ explained that Richard Taylor, Director of Corporate Affairs and Communications, and Lexington had been reviewing the documents. We had included quotes from Postmasters in the Postmaster Support Document. There were over 40 variants of the contract currently so we already had to manage these differences.

Action: ██████ to arrange meeting for TC with NRF

The Board:

- I. **NOTED** the options and recommended next steps to close the gaps with our contracts post the GLO Settlement
- II. **APPROVED** the use of new codified contracts for new Postmaster appointments as an interim step
- III. **APPROVED** launching a Postmaster Support Document which made clear the changes Post Office had made to reflect the Common Issues Judgment
- IV. **APPROVED** issuing a summary of the Judgment alongside the Postmaster Support Document
- V. **APPROVED** the deployment of the new Contract Performance, Suspension and Termination Policies in support of the codified contracts and approaches referenced within the Postmaster Support Document.

3. Operational Improvements/ MI

██████ introduced the paper and explained the main elements of operational improvement and how we had addressed the findings of the Common Issues Judgement. Some work remained, particularly creating the feedback loop with Postmasters.



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██████████ noted that the NRF Review was helpful and work to address the gaps identified was in train. We would be mapping the summary of the Review across to the contract obligations.

A number of points were raised, including:

- Zarin Patel agreed that the NRF Review was very helpful. The Review referred to culture in a few places and we should make sure that this was addressed and suggested it would be worth the ARC considering the points raised on internal audit and assurance
- Tim Parker asked whether any of the gaps identified in the NRF Review would be difficult to address. ██████████ thought that contract reform would be a major piece of work. There was still some work to be done on on-boarding but a work stream had been set up to complete this. ██████████ added that more work was required on IT and accountancy controls and this would be the focus of the next phase including known error logs (KELs) and branch reconciliation processes. A positive point from the Review was that there had been no findings which had been a surprise to us
- Lisa Harrington noted that much good work was taking place and best practices being adopted. However, we needed to make sure that we were applying this level of rigour to all future changes. Ben Foat reported that the Compliance Team was looking at control effectiveness. It was also noted that one of the reasons it was important to have a Postmaster on the Board was that it would help us retain attention on these operational issues
- Tom Cooper noted that the paper talked about bugs and Horizon issues. The Board needed assurance on how we were addressing these issues, how severe they were and how they were being reported. ██████████ noted that she would often be alerted to Horizon errors because of the issues we were seeing and the calls being received but we also needed to look at controls at the front end of the system. ██████████ would be presenting a paper on KELs to the Group Executive and wanted to include standing metrics in the Post GLO Implementation Plan Report to the Board. Tom Cooper noted that he had some scepticism about our focus on controls historically versus what the outcomes had actually been for Postmasters. Ben Foat noted that this issue had been discussed at the SteerCo earlier in the week to consider how we could interrogate whether processes were effective
- Tim Parker asked whether we could say that we could not incorrectly accuse a Postmaster of a discrepancy. ██████████ explained that we were able to go through the logs and ask Fujitsu to provide us with the data. This meant that we could generally pinpoint a tangible reason for a discrepancy before the dispute stage. We could show that no discovered bug had been involved. We had undertaken work to reduce the propensity for user error by making the system easier to operate but where there had been user error that could generally be shown. TP noted that there would still be inconsistencies in the system and we needed a high degree of certainty that a Postmaster would not be unfairly accused. Ben Foat noted that the NRF gap analysis and the work to be undertaken on IT and accountancy controls should provide further assurance. ██████████ confirmed that we no longer set a minimum figure before which an issue could be raised by a Postmaster.

Action: ██████████
to consider

The Board:

- **NOTED** the current status of the Operational Improvements programme and the work done following the Common Issues Judgment and its findings
- **NOTED** the outcomes of the Norton Rose Fulbright independent review of the work undertaken to address the Common Issues Judgment findings and the next steps to close any gaps.

4. Any Other Business

The Chairman congratulated ██████████ and her team and thanked them for their work. We had made considerable progress and were clear on the next steps.

There being no other business the Chairman closed the meeting at 16.15 hrs.

5. Date of next scheduled meeting

Next scheduled meetings on 28 & 29 July 2020.



POST OFFICE LIMITED BOARD MEETING

2.3

MINUTES OF AN ADDITIONAL MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON TUESDAY 30 JUNE 2020 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ BY CONFERENCE CALL AT 09:00 AM¹

Present:	Tim Parker	Chairman (TP)
	Nick Read	Group Chief Executive Officer (NR)
	Ken McCall	Senior Independent Director (KM)
	Tom Cooper	Non-Executive Director (TC)
	Carla Stent	Non-Executive Director (CS)
	Zarin Patel	Non-Executive Director (ZP)
	Lisa Harrington	Non-Executive Director (LH)
	Alisdair Cameron	Group Chief Finance Officer (AC)
In attendance:	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED] (Item 3.)
	Dan Zinner	Group Chief Strategy and Transformation Officer (DZ)
	Richard Taylor	Group Corporate Affairs and Communications Director (RT) (Item 4.1)
	[REDACTED]	[REDACTED] (Item 4.1)
	Amanda Jones	(Interim) Group Retail and Franchise Network Director (AJ) (Items 4.2 & 4.3)
	[REDACTED]	[REDACTED] (Item 4.2)
	[REDACTED]	[REDACTED] (Item 4.3)
	Jeff Smyth	Interim Group Chief Information Officer (JS) (Item 4.4)
	[REDACTED]	[REDACTED] (Item 4.4)
	Owen Woodley	Group Chief Commercial Officer (OW) (Item 4.)
	[REDACTED]	[REDACTED] (Item 4.5)

Action

1. Welcome and Conflicts of Interest

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

Performance and updates
2. CEO Update (verbal)

Nick Read provided an update to the Board on the following issues:

- the profit forecast of [REDACTED] for the 2020/21 financial year was on track to be delivered but the shape of the returns was different. Volumes in Mails had increased but Special Delivery was running behind plan. Non-essential businesses were re-opening but city centres were still struggling. A retention approach had been adopted for the Telecommunications business. We had received good press coverage over the last week or so on our Travel products but a limited number of insurance policies had been sold. The Organisational Design work would have a first phase in September 2020 and a second phase in January 2021
- trading hours were running at 89% of pre Covid-19 levels and around 1,000 fewer branches were operating. We were moving to a BAU approach for Covid-19 but our response and contingency was mapped against the Government alert levels. We would be running a session to define the shape of the revised governance structure. Employees had been advised that we would not be returning to office working until at least 1 September 2020 and we were continuing to market space at Finsbury Dials
- the "Stronger Together" Roadshows were starting this week. Nine would be held over the next fortnight with Nick Read, Amanda Jones and Owen Woodley facilitating. We would report back to the Board on how they had been received

¹ Participation in the meeting was entirely via Microsoft Teams from participants' personal addresses. In such circumstances the Company's Articles of Association (Article 64) require that the location of the meeting be deemed as the chairman's location. However, it was not deemed appropriate to record personal addresses on the Company record. As such, the Registered Office is recorded as the meeting location.



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- the level of disputes with the unions was high currently. Initial conversations had been held on 10 June 2020 and we had obligations with respect to collective bargaining. The moratorium on DMBs would come to an end on 31 July 2020 and our decision not to extend had been received badly. Three DMBs would close in July 2020. We would then be navigating the Organisational Design work and the Starling (workers' rights) case. The sequencing of these activities and the responses we might expect were being mapped out and we anticipated a difficult period in our relationship with the unions
- BEIS had only agreed to extend our waiver on branch numbers for a further three months from July 2020 although we could apply for subsequent three month waivers. Tom Cooper noted that this issue needed to be managed because Ministers had thought that Post Office would be resuming a franchising process for DMBs rather than closures. Nick Read reported that every decision would be customer led so there might be franchising rather than closures where there was a customer need
- Owen Woodley had had a conversation with [REDACTED] the [REDACTED] at Royal Mail, earlier in the day. Royal Mail remained keen to complete the new deal with Post Office and had returned the legal document over the weekend. The main elements of the contract were as discussed with the Board previously but there were a few points of contention. We were still targeting 20th July 2020 for completion. The Heads of Terms would be brought back to the Board
- [REDACTED] had established an access for cash pilot in 8 towns all of which had a Post Office. Nick Read would be meeting her again later in the week and we were committed to making the pilot a success
- our focus was on cash and banking and mails, however more people were completing their activities on-line including bills payments and we needed to consider the implications of this for the longer term
- we would like to apply to the Court for more time for the Starling (workers' rights) case which was currently listed for October 2020.

Lisa Harrington suggested that it would be worth Post Office having a conversation with BT as it was another unionised business that was having to reduce costs. Nick Read welcomed that suggestion.

3. Financial Performance Report

Al Cameron provided an update on the funding request timetable. The preliminary funding paper had been presented to the Board in February 2020 and the updated plan in May 2020. An updated plan would be presented to the Board in July 2020 and then shared with the Shareholder. The indications were that Government was likely to require funding submissions during September 2020 with an Autumn statement announcement in November 2020. It was likely to be 3 or 4 year spending round. Following this there would be contractual exchanges of letters between POL and the Shareholder at which point we would be in a position to sign the Annual Report and Accounts 2019/20. A request had been received from the Shareholder on 25th June 2020 for an updated two page funding request. HM Treasury was asking for this from all Government funding requestors. Our submission would need to be heavily caveated but we would be seeking more money than had been the case in February 2020 because of the impact of Covid-19 on trading and we would be seeking the funding in the form of equity.

Al Cameron introduced the Financial Performance Report and highlighted a number of points including that we expected banking volumes to continue to build back to pre Covid-19 levels or thereabouts. Santander volumes were beginning to increase as well as those of the other banks and we hoped to retain some of the customers we had acquired through Covid-19. AC shared the concerns about bills payments volumes and the longer term implications of this. The main variance to planned spending was in marketing where we had not reduced spend as much as originally planned. A full reforecast would be brought to the Board in September 2020.

A number of points were raised, including:

- Ken McCall asked whether the hardship fund figures had been accounted for in the figures presented. It was confirmed that [REDACTED] was provided for but it was unlikely that this much would be required
- Ken McCall asked whether we should be making some provision for salary increases in case we could not implement a freeze pay for all grades. Al Cameron explained that we were reporting against the budgeting assumptions approved by the Board in May 2020, elements of



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which might change. AC would consider whether we should be providing in the monthly accounts for an element of spend on pay increases

- Tom Cooper asked about Post Office's Verify market share and whether Cabinet Office was still directing individuals to Digidentity. Owen Woodley subsequently confirmed that the volume of transactions was between 15,000 and 20,000 a week and that the Post Office share of Verify was 63%; this should improve further as Cabinet Office was no longer directing customers to Digidentity
- Zarin Patel asked about agent pay and it was confirmed that this was higher because of higher transaction levels.

The Board **NOTED** the Finance Report.

4. Strategy Update

4.1. Purpose

Richard Taylor introduced the paper and highlighted what a purpose was designed for, including being more than the words on the page, needing to be as specific as possible and not being everything to everyone. The purpose developed was rooted in the data which had included fresh polling carried out during Covid-19. Discussions had taken place with BEIS and potential alternative wording had been considered. The main work was still to come and during July 2020 the cultural changes required would begin. We would be more vocal about our purpose and consider whether any supporting straplines were needed.

The recommended purpose statement was: "We're here, in person, for the people who rely on us"

A number of points were raised, including:

- the Directors were pleased with the work that had been done and the purpose statement
- Carla Stent asked about the focus on our core set of customers and how we would build for the future. Richard Taylor explained that different people relied on Post Office at different times and we attracted customers over time as their demographic changed: the customer base was not static
- Carla Stent asked how the September launch of the purpose would align with the GLO activities. Richard Taylor reported that the precise timings were still being discussed and the "Stronger Together" Roadshows would be taking place in the meantime. We would consider whether a soft launch or a hard launch was appropriate in September 2020 but did not want to delay indefinitely. Nick Read added that we would shape the road map during July 2020 and any overlays, such as GLO, as required
- Carla Stent noted that the experience from the banking world was that where you could offer young people a service that led to a regular interaction, such as a basic banking service, they often became loyal customers so it was worth considering such opportunities. Richard Taylor would reflect on this suggestion **To do: RT**
- Ken McCall asked whether we could remove the "We're" parts of the purpose statement to make it shorter and more direct. Richard Taylor would reflect on this suggestion **To do: RT**
- Zarin Patel asked how we would approach the cultural and behavioural changes sought and thought it would be worth exploring this further. Richard Taylor noted that the right values and behaviours were essential but must align with the purpose and be enduring. [REDACTED] reported that we were going through a process to define the values, such as simplicity and openness, through July and August 2020 involving the Leadership Council. It needed to be possible to adopt these values and behaviours at team level to make them meaningful and applicable to individuals
- Tim Parker noted that people wanted to see authenticity and that meant action was key. What the senior people did had to align with the purpose. We needed to earn a return to be able to invest more in the business. Postmasters would judge us by our actions.

4.2. Network Policy Report

[REDACTED] introduced the paper in which there were four main components:

- 1) Reviewing the requirement for 11,500 branches, which was driving us to use more outreach branches than optimal
- 2) Obtaining a more flexible definition of a Post Office
- 3) Maintaining the five main access criteria



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- 4) Revising the sixth access criterion. We breached the postcode criterion routinely and would like to align with the more flexible Ofcom criterion for postcode districts.

UKGI/ BEIS had counselled us that the changes we sought would be difficult to negotiate politically.

A number of points were raised, including:

- Tom Cooper noted that he understood the desire to make changes but the extent of the proposals appeared to be getting rid of outreach branches which we thought most people did not value and seeking the flexibility to execute a PUDO strategy which we already had the freedom to execute. TC was concerned that a significant amount of effort would be required for a [REDACTED] saving which also expended political capital. It was not ambitious enough for the cost savings it would deliver. We needed to get costs down to make Banking Framework 3 viable. [REDACTED] reported that we would still maintain some outreach services where they were really needed but not in order to hit target numbers. Funding capacity was the issue for PUDO rather than our freedom to execute the strategy. The cash cost of maintaining the current network size was high given churn levels. If ministers were prepared to fund the cost of operating a network of 11,500 that could be a good outcome. TC was not sure that this was the case and was surprised that a different network configuration could not deliver higher savings. Carla Stent was also concerned about expending political capital for limited returns. We also needed to consider what we were giving back in return for concessions. For example, how could we support the Government's "Levelling up" agenda?
- Ken McCall commented that we seemed to be looking at the network in the same way and not considering the formats, services and shape of the network that might emerge if we were starting from scratch. Amanda Jones explained that this paper formed part of a bigger piece of work. 1) making network policy more flexible 2) the network format, including segmentation, if we started with a blank sheet of paper 3) the shape and size of the network which should bring much greater savings than those associated with reducing the outreach service. These more fundamental changes would also be designed to make us a more attractive franchise proposition for Postmasters. Ken McCall noted that we should also be considering who we were trying to attract as customers as part of this work. Carla Stent asked what proposals would be taken to BEIS. [REDACTED] reported that in the proposals for BEIS and Ministers we would include a positive overarching narrative about creating a network that worked better for customers and for our Postmasters. That would be the opening position underpinned by the flexibility we needed to achieve this. Al Cameron noted that we regarded this as a means of flagging that we wanted to have the bigger conversation about flexibility as part of the funding discussions. The underlying logic was that having the branch number target diverted attention to its achievement when we should be focussing on customer needs. The size of the network would not be a problem if we could have city centre locations for parcels which counted as a post office. It was noted that only 1.5% of our transactions were made through the 1,800 outreach branches. We needed a network that worked for customers and Postmasters which was reasonably simple. We had to develop a more attractive proposition for Postmasters
- Tim Parker commented that branch numbers remained a difficult topic politically. We needed to work out the lowest cost way to operate 11,500 branches such as the wholesale conversion of Payzone outlets. We might not propose this as a first step but needed to have developed an option for a basic Post Office to enable us to reach less densely populated communities at lower cost. Nick Read agreed that we needed to have a pared back Post Office model to give us the flexibility to have different models in different areas and we needed to do further work on this. If we could not reduce branch numbers we had to be able to reconfigure branches to make them commercially viable for Postmasters. Tim Parker acknowledged that being there for the people who relied on us while making a profit was a hard challenge to resolve but we had to answer the question of whether we could provide a service to remote areas more economically.

[REDACTED] would not include the removal of the 11,500 branch target within the flexibility proposals. The provision of services more economically in remote locations would be addressed seeking to use hubs wherever this was possible. The broader commercial context and PUDO would also be addressed in the papers to the Board in July 2020.

To do: [REDACTED]

Action: [REDACTED]

Tim Parker noted that the Board was supportive of achieving the maximum degree of flexibility but we should revisit access criteria to make sure that our proposals were not restricting our flexibility unduly.



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4.3 Postmaster Engagement/ Representation

Nick Read explained that we were trying to re-balance the relationship between POL and Postmasters recognising the historical position and the GLO. The partnership during the Covid-19 situation had been very positive and built up trust. We wanted to forge a proper partnership and make running a Post Office an attractive proposition. The Roadshows were initiating a more formal engagement process and we wanted to signpost Board membership for one or more Postmasters as the marker of different type of relationship and partnership. The wider Postmaster engagement was designed to help shape strategy rather than for these forums to take decisions.

Amanda Jones noted that the position had been moving quickly and the conversations with the Non-Executive Directors and UKGI had been very helpful. We had taken on the suggestion to extend the consultation period, "institutionalise" regular feedback to Postmasters, and seek the views of the multiples. Further thoughts would be welcomed.

██████████ explained that we needed to think differently about how we engaged with Postmasters, reflecting the NFSP's lack of credibility and the CWU's drive to represent Postmasters. Appointing one or more Postmaster to the Board and doing this as quickly as possible would be beneficial in demonstrating that we wished to develop a genuine partnership. We wanted to make this announcement at Postmaster Roadshows and had socialised our proposals with UKGI and BEIS. We would also announce our plan to launch a consultation in September 2020 for a 12 week period. We proposed to use Branch Hub as the primary tool for feedback from Postmasters. We would launch a number of questions on Branch Hub in July 2020 to test this as a mechanism. The questions on which we would elicit feedback would include the operational improvements made to address the findings of the judgments. Regular feedback would be provided during the consultation period. Nick Beal would be briefing the NFSP on 2nd July and ██████████ would be having the same conversation with the CWU.

A number of points were raised, including:

- Lisa Harrington was supportive of the proposal to include one or more Postmasters on the Board but noted that we needed to recognise that this was a significant time commitment for someone who was working full-time. The appointments needed to be meaningful and not just symbolic. One possibility might be to appoint a retired Postmaster. Nick Read agreed with these observations and noted that at NISA there had been nine Non-Executive Directors who were retail store owners at NISA. We would need to consider the selection process carefully and we had to deliver what we said we were going to. Amanda Jones reported that one of the polling questions would be the degree to which Postmasters wanted to get involved with influencing Post Office strategy. During the Covid-19 crisis a group of ten Postmasters had convened a few times a week to discuss issues such as the provision of PPE with Post Office and this had been beneficial
- Tom Cooper observed that the NFSP's lack of credibility was a recurring theme and asked whether we would receive a proposal on how the NFSP could improve its support to Postmasters. Nick Read reported that there was a distinction between how the NFSP acted as a trade body with the practical services it provided and how it helped to influence strategy with insights on products and services, marketing and so forth. The trade body role would continue but we would need to consider how we structured the fees. It would not be easy for NFSP to improve their contribution on strategic insights. Tim Parker noted that the judgment had been critical of us maintaining the NFSP. We needed to be able to separate when we were paying NFSP for a commercial service from other elements and present the relationship between the NFSP and POL differently. ██████████ noted that we would like to get feedback on the NFSP as part of wider consultation to better understand what worked for Postmasters and what did not in the role it played
- Tom Cooper noted that it was important to establish that the existing Board was comfortable with the proposals to include one or more Postmasters on the Board. All of the Directors confirmed that they were comfortable with the proposal and would prefer that two Postmasters were appointed to the Board. The Postmaster Board Directors should be Non-Executive Directors and remunerated as such. Terms of office were discussed and it was concluded that this should also align with other Non-Executive Directors. Whilst there were arguments in favour of refreshing membership frequently the time it took for Board induction and the possibility that the Postmasters appointed to the Board might not have served as directors previously supported a three year term. As noted, we would need to think carefully about the selection process and also



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the credibility of the appointees with their constituency. Zarin Patel noted that for those who had not served as a director previously, help would be required to understand their role on the Board, S172 duties under the Companies Act 2006 and so forth. We could learn from other models such as the John Lewis structure, which Zarin Patel was familiar with, Lisa Harrington's previous experience of a Board which held public sessions, and Al Cameron's experience of the Dover Harbour Board which included community members. It was noted that we would also need to address diversity in our appointment process. Nick Read noted that we might wish to combine election and selection. There would need to be a clear hurdle. We did not wish to exclude applicants but needed to attract the right quality of applicant

- Tom Cooper advised that he did not think we were in a position to announce the appointment of Postmasters to the Board and needed to write a letter to the Minister first. This was novel territory for BEIS and announcing too soon could jeopardise the outcome we wished to achieve.

The Board **APPROVED** the proposed approach to improving engagement with Postmasters including:

- launching a consultation in September 2020 which would run for 12 weeks with feedback on emerging views provided during the period to ensure momentum was maintained
- asking Postmasters for their feedback and views on a number of key strategic topics and on improvements already made using the Branch Hub digital platform.

To do: Tim
Parker/ Nick
Read

The proposal to announce our wish to include one or two Postmasters on the Board at the "Stronger Together" Roadshows in July 2020 and issuing a media statement about this on 2 July 2020 would be discussed separately by Tim Parker and Nick Read, noting Tom Cooper's advice.

4.4 Fujitsu Contract/ SPM

Nick Read explained that the principal purpose of the paper was to update the Board on the current situation and options for the Fujitsu contract and strategic platform modernisation (SPM). NR had met the Fujitsu CEO on a number of occasions and the discussions had included the potential for Fujitsu to exit the contract early. It was likely that Post Office would not be in a position to agree to Fujitsu exiting the contract early. We were also seeking the Board's views on whether we could or should stay on the Horizon system. There were a number of options which depended in part on our risk appetite, and complexity and capability issues.

Jeff Smyth introduced the paper and provided a re-cap of the main points. We were seeking input from the Board on the options available to us and the risk and complexity associated with these. The SMP proposals would be presented to the July Board but in parallel we would be undertaking work on whether we should be seeking to extend the contract with Fujitsu, find another SI partner or bring the system in-house. There was a tension between what we wanted and what Fujitsu wanted and we might need help at Board level with those negotiations. Fujitsu might seek to increase the commercial price to extend the contract and it could be difficult to get them to make system changes in addition to which there was a Public Contracts Regulations (PCR) risk. The position by default was that Fujitsu would not extend the contract beyond March 2023. Were this the case our only options would be to find a system integrator (SI) partner or bring the system in-house. In either case we would need to work with Fujitsu on these requirements. Fujitsu had advised us that there were hundreds of employees supporting the Horizon system. There would be TUPE requirements in relation to these employees and knowledge transition requirements in relation to those employees based in India. We estimated that it would take us 12 months to find an SI partner. The knowledge transfer exercise, followed by putting a shadow process in place would take us to the end of the contract in March 2023. We had obligations once we acquired the Horizon system, including a bill and the staff transfer costs. Fujitsu were likely to move the best staff off the contract earlier and a significant number of staff were reaching retirement age. We also had commercial challenges relating to a spend gap of between [REDACTED] depending on whether Fujitsu allowed us to use some of that spend for activities outside that specified in the contract. We did not have a strong record in vendor management and were trying to build that drawing on advice for Lisa Harrington.

A number of points were raised, including:

- Ken McCall asked what the driver was for Fujitsu seeking an early termination and whether it was for tactical or other reasons. Jeff Smyth reported that Fujitsu could be using it as a catalyst for the contract negotiations. The people issues associated with supporting the Horizon system were a further rationale for wishing to agree the future position. Fujitsu might also be thinking of the "contamination" issues associated with their part in the GLO which did not help their case for managing other government contracts. Nick Read added that Fujitsu did not see Post Office as a



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partner past 2023 currently and were wary of the Board's stance in relation to Fujitsu's role in the GLO. Nevertheless there was significant revenue at stake for Fujitsu and it would like to resolve the position

- Carla Stent asked whether we could extend the contract if the relationship with Fujitsu was so tenuous. The position was discussed and it was noted that the contract was a significant revenue generator for Fujitsu and a two year extension could be attractive in practice. Al Cameron noted that we had to be wary of being placed in a position where our options were closed down because we had no time to pursue an alternative route. Fujitsu might either want a longer extension or an early exit to avoid the costs of training a new generation of employees
- migration to a different system, the parts that could be migrated and the timeframes and complexity surrounding this were discussed. Jeff Smyth noted that it was important to understand the history of Horizon and its different iterations over the years. We would need to "strangle out" individual services and put them onto SPM. The main challenge was how we would deal with branch accounting. There would be less to migrate if we were selling fewer products. We would need to be disciplined in how we defined the scope of the project
- whether we needed a specialist negotiating team to work on this now? JS confirmed that we did. Some work had already been undertaken by McKinsey setting out the contractual position and what this meant in practice
- Tim Parker noted that we needed a flexible system that would last for the next 10-15 years. Finding a new partner to run the current system would be unattractive and we should consider how to incentivise Fujitsu to extend the current contract. Investment in a new system was a requirement to underpin our core activity
- Tom Cooper said that he would like to understand the decision timetable. We appeared to be choosing between unpalatable options and would have to deal with uncertainty for some time. We had to take a number of decisions in parallel and needed to have a "Plan B". We needed to understand the impact of failing to take particular decisions
- it was agreed that we would need dedicated teams to work on options A and B and that work should be scoped out over the next few weeks with the options presented to the July Board; the teams' work would be interlinked to some extent
- Zarin Patel asked whether a short term transition to another partner had been ruled out and noted that the Board would need to be comfortable to approve a non-compliant contract extension. Lisa Harrington added that if we considered a short-term partner we would have to flag to them that we were developing an exit route.

The Board **APPROVED**:

- **continuing with the Horizon discovery work** so we could understand our commercial obligations and knowledge transition challenges in more granular detail
- **developing a negotiation position and strategy to obtain a 2-year support extension with Fujitsu for Horizon** so we could deliver our strategic platform modernisation (SPM) activities at the correct pace in line with business strategy and as we enhanced our business and IT capabilities
- **beginning work on the timetable and programme resource requirements for an OJEU procurement of a system integrator (SI) partner** in case Fujitsu was not prepared to sign up to an extension or if the associated costs and/ or terms make it untenable
- **accelerating building the internal capabilities, in both the business and IT domains**, that would be required to perform accelerated agile delivery of SPM
- **immediately mobilising SPM and committing to the first deliverable for PUDO** so we could begin reducing our long-term dependencies on Fujitsu / Horizon and commence delivery of a strategic platform that offered the flexibility that POL would require in our new branch formats.

To: JS

The paper to the Board in July 2020 should address the comments made by the Board.

4.5 Cash and Banking Market Assessment

Owen Woodley explained that the paper set out an analysis of the cash market drawing on our interactions with the market and that no decisions were sought at this point. We had met with all the mid-sized banks and the FCA. Meetings had taken place with [REDACTED] [REDACTED] [REDACTED]. The recommendation on Banking Framework 3, ATMs and POca would be brought to the July Board meetings.



██████████ summarised the key elements of recent changes in the **cash market** driven by Covid-19, which was viewed as an acceleration of “five years in five months”. 50% of customers had moved away from using cash, 30% more would be able to do so while 20% were not likely to. POL was over indexing in the 30% group, especially those in the bottom group within that section. POL cash transactions had dropped by 45 – 50% rather than the 65 -70% experienced by LINK during lockdown. POL should balance out at around 85 - 100% of previous cash transactions as the position settled down. We had now returned to circa 85% of previous banking transactions with some banks exceeding previous levels and POL acquiring new customers. Customer experience of Post Office was positive. Support was being galvanised to protect access to cash. POL would have real relevance as we moved to BF3 and could retain a strong commercial model.

ATM strategy – we were seeking to re-prove the case for the ATM strategy and would bring this to the July Board meeting as part of the wider strategy on cash and automation. POL could run its own estate of ATMS or run this via an IAD. Running an ATM network helped to support our note circulation position and gave us a say on interchange. We had been through a procurement process with wider lots and this had provided us with information on a wider automation strategy.

POca – the LIBOR rate had come down and the POca contract expired in 2021 with a possible 1 year extension. We were looking at ways of mitigating the impact of the LIBOR rate drop including trying to migrate customers onto bank accounts.

[illegible]

5. Noting Papers

5.1 DMB Closures

The paper on DMB Closures was **NOTED**.

5.2 Post GLO Settlement Programme Update

The Post GLO Settlement Programme Update was **NOTED**.

Tom Cooper asked about the legal fees and would like to hear from Ben Foat how we were going to control the costs for the CCRC process. Nick Read would check the position with Ben Foat and the costs would be discussed at a Board call on the CCRC cases. Nick Read would also ask Ben Foat about the detail of the [REDACTED] claim to the Historical Shortfalls Claims Scheme. Carla Stent asked whether

Action: Nick
Read



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there was anything we could do about lawyers advising clients not to apply to the Scheme and how we were going to manage this. This question would also be put to the Legal Team.

5.3 Post Office Insurance Options

The paper on Post Office Insurance Options was **NOTED**.

5.4 Health and Safety Report

The Board **NOTED** the Health & Safety Report.

6. Approvals

Procurement update and exceptions

The Board **REVIEWED** and **APPROVED** the Risk Exceptions set out within Appendix A of the paper presented to the Board:

- PREN 14 – Strategic PR Services (TB Cardew. Value [REDACTED])
- PREN 15 – Content management software (Value [REDACTED])
- PREN 16 – Interim ATM Support Services for Retail Partners & PREN 17 – Interim ATM Support Services for Retail Partners (Aggregate maximum value [REDACTED])
- PREN 18 – the extension of a Bulk Cheque Processing Services with a value of [REDACTED] for a further 12 months to allow for:
 - Re-procurement via framework or OJEU;
 - Commercial and technical alignment with other expiring cheque processing services;
 - End to end review in line with technical roadmaps and target state for the payments infrastructure.

Carla Stent noted that it would have been helpful to have had a trigger in the procurement process and asked whether Barclays would still provide us with the cheque balancing system. It was reported that we believed so but this point would be confirmed.

Action:
Executive

Tom Cooper asked whether there was any reason that we should not be procuring for the PR service now. Nick Read explained that we wanted continuity with GLO over next 2 -3 months. TC asked that a procurement process was followed next time.

7. Date of next scheduled meeting

Next scheduled meetings on 28 & 29 July 2020.

Post Office Limited Board Actions as at 21.07.2020

REFERENCE	ACTION	ACTION OWNER	DUE DATE	STATUS	OPEN/CLOSED
Board Meeting 30 April 2019					
4. Succession Planning	To provide a grid showing the key roles in the organisation (and which will link to the future organisation structure), the “top talent”, “corporate pillars”, who was ready for a bigger role now, who would be ready in 1-3 year time scale etc. once we had assessed the RAG status and decided what we needed to do to develop these individuals.	██████████ ██████████ / Nick Read	July 2019 September 2019 Autumn 2019	To be included on the Board and/or NomCo agendas for September 2019. Item deferred until the Purpose, Strategy and Growth has concluded and the new organisation design has been determined. OD to be covered as part of the Four Year Plan to be discussed at the Board on 28 July 2020. Placeholder on succession planning included on Board agenda for September 2020.	Open
Strategy sessions 30 & 31 July 2019					
1. Cash Utility	A consultant would be engaged to review operational processes/ efficiency to provide an independent test. Ken McCall would be happy to be involved in the process.	Executive	March 2020 November 2020	Update 21/07/2020: The cash utility working group is now in the final phase of design work on utility model including key areas such as transition, governance, technology and product sets. Organisations will be expected to formally acknowledge a commitment to join the utility and ensure that adequate funding is in place to commence operations. Intention is to provide board with an overview of utility options alongside options to move quickly to an outsourced solution for Supply Chain. This will be presented in November as part of a session on Supply Chain future direction.	Open
Board Meeting 28 January 2020					
10.2 Payzone Bill Payments Limited - Capital Equity Injection Request	The Board asked that assurance was provided that the capital equity injection proposed was a tax efficient arrangement before consenting to approve.	██████████ to relay to Payzone		The proposal is on hold. We have completed a significant reappraisal and investment reduction exercise and are awaiting a final decision on 2020/21 change spend approval. Upon receipt of this, we will return to the	Open

Post Office Limited Board Actions as at 21.07.2020

				Board with a recommendation for the funding arrangement between POL and PZBP	
Board Meeting 08 April 2020					
5. CEO Report	To receive the revised business case for the Belfast exit plan.	Executive		Paper included on the 28 July 2020 Board agenda.	To close
8. Royal Mail Group agreement	A summary of the terms and the final term sheet to be provided to the Board for the Board meeting on 26 May 2020		26 May 2020	Paper included on the 28 July 2020 Board agenda.	To close
Board Meeting 26 May 2020					
4. CEO Report	KM noted that it was an excellent development and that it would be helpful to understand all of the operational developments as we moved forward. NR agreed that the executive could bring Branch Hub and how it was going to be used back to the Board and show how it will drive greater efficiency.	Nick Read		A Branch Hub demonstration forms part of the strategy sessions on 29 July 2020.	To close
8.1 Post GLO Settlement Programme Update	The Board AGREED that the cost of the legal advice received should be included in the Board update reports	Ben Foat, [REDACTED] [REDACTED] [REDACTED]		Legal costs are included in the reports to Board.	To close
8.2 Postmaster Contracts and Policies	Ken McCall asked how we could ensure that our operational processes satisfied the requirements of the judgments. BF thought that this could be set out in an underlying document and would ask for the team to consider this further	Ben Foat		Norton Rose Fulbright has reviewed POL's compliance with the judgments and noted the gaps; this report has been received by the Board. The Board will also receive updates on bridging the gaps which NRF identified.	To close

Post Office Limited Board Actions as at 21.07.2020

8.2 Postmaster Contracts and Policies	The Board AGREED that a revised paper should be produced building in the points raised by the Board; this could be added to the agenda for one of the CCRC Board calls. Any further points should be sent to [REDACTED]	ALL		Board Call on Thursday 25 June 2020 on Postmaster Contracts, Operational Improvements and MI	To Close
9.2 Procurement exceptions	Tom Cooper reported that a number of questions had been raised in relation to this by the UKGI procurement experts and it was AGREED that Al Cameron would discuss these points with Tom Cooper and bring back the proposal to the next Board meeting.	Al Cameron and Tom Cooper		Included on the agenda for the additional Board Meeting on 30 June 2020	To Close
Additional Board Meeting 25 June 2020					
2. Contracts Approach	Tom Cooper thought that our short term actions were very clear but wondered whether we were over interpreting the Judgment in some areas and would welcome a follow-up conversation with NRF.	[REDACTED] to arrange meeting for Tom Cooper with NRF			Open
3. Operational Improvements/ MI	The Review referred to culture in a few places and we should make sure that this was addressed and suggested it would be worth the ARC considering the points raised on internal audit and assurance.	[REDACTED] to consider		Update 21/07/2020: The 'cultural' piece following the CIJ is in scope for Phase 3 of Operational Improvements. The Ops Improvement team are currently developing the training materials and approach for all Postmaster facing teams to ensure the GLO changes are thoroughly embedded. The cultural changes are intended to be leadership led and the content and approach to be greatly informed by the wider PSG culture work led by our communications team.	Open
Additional Board Meeting 30 June 2020					

Post Office Limited Board Actions as at 21.07.2020

4.2 Network Policy Report	Tim Parker noted that the Board was supportive of achieving the maximum degree of flexibility but we should revisit access criteria to make sure that our proposals were not restricting our flexibility unduly.			Paper included on the 29 June 2020 Board agenda.	To close
5.2 Post GLO Settlement Programme Update	Tom Cooper asked about the legal fees and would like to hear from Ben Foat how we were going to control the costs for the CCRC process.	Nick Read to raise with Ben Foat		Paper provided for Board (CCRC) meeting on 9 July 2020.	To close
6. Approvals: Procurement update and exceptions	Carla Stent noted that it would have been helpful to have had a trigger in the procurement process and asked whether Barclays would still provide us with the cheque balancing system. It was reported that we believed so but this point would be confirmed.	Executive		The contract extension was agreed with Barclays and signed on 02 nd July.	To Close



POST OFFICE LIMITED BOARD REPORT

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Title:	Chief Executive's Report	Meeting Date:	28 th July 2020
Author:	Nick Read, Group CEO	Sponsor:	N/A

Input Sought: Noting

Items enclosed in this report are for the Board to note and advise if any further discussion/information is required.

Report

Overall performance outlook

1. After a surprisingly fast start in early June, our trading performance is flattening out. Indeed for the last 2 weeks we have seen decreases in footfall and customer sessions. This maybe weather and holiday related but from a high of 9.9m customer sessions in week 14 we have seen sessions drop to 9.3m last week. However, our Mails performance remains robust, with encouraging year on year growth and we are operating at higher volumes than before lockdown. Cash and Banking continues to steadily improve with ATM usage remaining 10% higher than the industry average and counter withdrawals also improving. The long awaited increase in deposits, following the opening up of non essential retail and hospitality, has been subdued and quieter than anticipated. Santander, in particular, although up 30% over the last 4 weeks have a long way to go. Bill payments have also been disappointing. Payment holidays across utility sectors have affected footfall and we are still operating at only 60% of pre Covid-19 levels.
2. However, June trading profit still managed to be [REDACTED] better than the baseline budget, with flow through to security headroom, which was [REDACTED] ahead of target. Whilst this early improvement is welcome news there is still a long way to go on much of the product range, with the opening up of the Travel market of particular focus during P4. The baseline budget used for comparison purposes is the current [REDACTED] profitable outlook, as approved by the Board on 26 May.
3. Covid-19 has reduced in year profitability by c. 90%, further impacting security headroom and brought branch numbers temporarily below 11,000. However, as of week 17, we are back above this number, with only 488 branches now closed for more than 3 days. 95.8% of the Network is open. Encouragingly our latest figures show that Post Offices matter more than ever for communities as other brands depart from the High Street or are slow to re-open (the banks). This came through clearly in the 'Better Together' roadshows which we completed last week. Over the course of 9 nights we spoke with 1200+ postmasters and the overwhelming feedback was positive. Postmasters strongly acknowledged the support they had received throughout Covid-19 – remuneration, PPE provision, operational guidance and area manager support. It was also clear from the dialogue that customers appreciated our efforts too. We will continue to build on this progress as we underpin our trusted brand credentials and strengthen our purpose.

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4. Yet we recognise in this new constrained environment – dramatically impacted by Covid-19 and ballooning litigation costs – that we must make some difficult choices. We will ensure we remain a convenient provider of essential services, a fundamental provider of cash and an organisation with a clear social purpose and strong social obligations. But we must also be investable. We will be focusing on driving out costs, particularly as growth will be hard to deliver.
5. As we will illustrate in our funding paper, we will initiate change in every part of the organisation; in our operating model, our processes, our commercial decision making and investment choices. Above all, the changes will need to be instilled in our culture and in the behaviours all Postmasters and colleagues display, in order to set us up for success in the new normal and thereon.

Network & Postmasters

6. Network numbers closed on 11,172 at the end of P3; an increase of 235 from P2. There have been a significant number of re-openings after Covid-19 short term closures. The current branch forecast ranges between 10,900 and 11,200 and assumes no further Covid-19 spike or lockdown restrictions. We have a waiver on Network numbers until the end of Q2.
7. Alongside supporting the re-opening of branches, Area Managers have been focused on working with Postmasters to increase their opening hours as customer footfall increases and demand grows, especially in mails. Branches are currently operating at 90% of pre-Covid-19 opening counter serving hours, improving from 74% in mid-April.
8. DMB absence continues to decline, now at 14% (from c22% in April), with just two branches closed. DMB opening hours have increased gradually (aligned with union agreements) from 29th June and, from 20th July, all branches have resumed normal opening hours.
9. On the advice of BEIS we will write to Minister Scully outlining our plan to proceed with some limited franchising consultations over the summer. In this letter we will inform the Minister that we intend to announce decisions to franchise 3 DMB branches where customers and colleagues are already aware of our plans but they were postponed due to Covid-19. These are Great Portland Street, Stockport & North Walsham. We will also set out our view on future closure plans in the context of our wider strategy for the network shape and size. In September we will review activity for the remainder of 20/21 with the potential to franchise or exit a further 35 – 45 branches.
10. Remuneration support top up payments for June (for May trading) totalled █████ which was less than originally forecast. This is reflective of a growing improvement in trading – around 58% of branches achieved a level of over 90% of their pre Covid-19 average, compared with 37% in the previous month; only 8% of branches were below the 40% level compared to 14% in the previous month. July remuneration (based on June trading) improved further. This validates POL's decision to cease generic support



payments after June and provide the Hardship Scheme for branches with severe financial difficulties. The first set of hardship applications have been processed with payment totalling [REDACTED]. There were c200 applications but only half met the qualifying criteria. The scheme is remaining open for now but we will not make any further decisions on applications and subsequent payments until the remuneration picture for July/August is clearer.

Business Updates

Cash & Banking

11. Deposits and Withdrawals are now approaching 80% of their pre-lockdown volumes. Deposit progress is particularly slow. [REDACTED] It is clear where our commercial focus for BF3 must sit.
12. We have kicked off the CEO meetings with the top banks which has brought renewed attention on the commercial modelling of our Banking Framework offer. Full details will be discussed at the Board strategy meeting. In our POca service, the commercial model is now out of balance due to the impact of Covid-19 on the Libor rate. As a result, we need to accelerate migration of the remaining POca customers to other services. This will require briefings to, and support from, numerous stakeholders, including Government Departments to ensure DWP actions are communicated appropriately to protect Post Office reputationally.

Mails & Parcels

13. We are seeing continued strong growth in Mails trading. Initially this was in 'Drop and Go', parcels and returns. We are now seeing positive signs in special delivery, labels and social mail. Customer sessions are above last year and better than pre Covid-19 levels. We will be providing separate updates to Board on the RMG contract and our approach to our evolving PUDO strategy implementation.

Travel Money

14. We relaunched TMO and Pre-order in early July for Travel Money and following the pausing of c2,500 HMRC registrations, we have reinstated registration on c850 branches from the 10th July in readiness for the gradual reopening of the market. On demand branch travel money had its strongest week of the year last week.

Telecoms

15. The switching market is gradually returning to normal levels but given our financial constraints, we have decided not to invest in marketing the proposition during the first half of the year. The negotiations on the RFP are concluded and we have now signed with TalkTalk/First Source. The contract will be held on a conditions precedent clause, before starting the marketing of the business for sale at the end of July.

Insurance

16. We have put Travel Insurance back on sale a month earlier than we anticipated at the start of lockdown, but demand remains very uncertain. Separately, three corporate finance houses are presenting on options for the Insurance business on 20th July (Fenchurch, Deloitte and KMPG - Barclays were also invited but declined to take part).

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Transformation & Change

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17. P3 YTD Change spend was £[REDACTED] below budget. Just over half of this underspend was due to the postponement of organisational changes to September, which will also delay forecasted benefits. The majority of the remaining underspend against budget came from the accounting of vacant leaseholders and onerous property contracts, as well as the phasing of spend for GLO and Covid-19. P3 YTD Change benefits were [REDACTED] below budget. Over half of this under delivery of benefits comes from POI programmes due to Covid-19. The next largest benefit gap comes from lower than predicted Verify volumes.
18. The 3+9 Change forecast indicates a "request" for Change funding that is 9% over budget. This includes significant funding for highly changeable programmes like GLO, Org Design, DMB, SPM, etc. Thus the overall portfolio will be managed within budget as the year progresses. In-year change benefits have also been reforecasted at 15% under budget due to updated (delayed) plans for Org Design and DMB, as well as updated forecasts for commercial programmes in POI and Identity.
19. Through Q1 the Change community has been managing our contractor costs through a range of actions including: moving 63% of contractors to a 4 day max/wk contract (contributing to a total saving of [REDACTED] in Q1), reducing the day rate of contracts between 3% and 25% for 8% of our Change contractor base and moving 2 contractors to an FTC contract (saving c. [REDACTED] on an annualised basis). Of the 19 new starters in Q1, we negotiated an average 13% lower rate, on 16 occasions, saving c. [REDACTED] on an annualised basis. In addition, a planned Change management restructure for Q2 will save 20% on overall headcount costs for Change, on an annualised basis.

IT Services

20. Colleagues working remotely – Processes put in place quickly to support work from home have had a challenging month with VPN performance issues and an unacceptable number of escalations relating to the home engineering (kit delivery) service. We have made some immediate interventions and an alternative to the existing VPN solution is being trialed with initial positive feedback. An improvement plan is in place to resolve home service issues.
21. Branch – 10k users registered on BranchHub, but online IT help functionality usage is still less than 1 % of incidents raised. Resolution for all current KELs is agreed, funded and planned for a Horizon release before October. Training teams have been provided with mobile devices for remote training. Branch downs increased during the month but have been brought back under control.
22. Customer – Customer webchat continues to be popular with 3k monthly interactions. Identity booths have seen a 28% increase in usage, back to pre-Covid-19 levels. Drop and Go remains high, with volumes 35% up on last year.
23. General – The IT Service Transformation project is being closed having successfully insourced Atos's role in the SIAM model into Post Office saving [REDACTED] OPEX per year,

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deployed colleague and branch online portals, built the ability to continuously improve into BAU and updated the IT data model (CMDB) enabling greater measurement and analysis.

24. Recent Incidents - 2 P1 and 7 P2 major incidents – the most impactful prevented 12% of Horizon counters from coming online for a Saturday morning. There were 12,683 incidents in June, compared to previous 6 month average of 9240. We have now returned to pre-Covid-19 levels of service.

HR and employees

25. Our communications to colleagues about bonus payments to be paid in August has been received positively across all levels, including our SLP grades (all of whom are taking a 20% reduction in their bonus).
26. In order to express our gratitude to our colleagues for their hard work during the Covid-19 crisis we have awarded everyone a "Post Office Bank Holiday"; this is an additional day's leave which is to be taken on or around 31st July.
27. We are working on our Publishing Gender Pay Gap Report for April 2019 which is due on 23 July. This was delayed from March due to Covid-19 and the temporary change in the regulations. There are marginal improvement in our results, and we are likely to see a worsened position next time due to change in CEO and ongoing organisation change activities (the majority of franchise staff are female). Action planning is in place and proactivity is increasing as part of D&I focus. We are continuing with our focus on internal Women in Leadership plans and continuing to ensure our shortlists for senior roles have a balanced gender split and we use non gender bias methodology in our recruitment.
28. As an employer we are serious about ensuring we are diverse and following the recent events in the US on this topic we are committing to do more in the area of diversity and are working closely with POEM (our BAME network) to tackle any racism and bias. We are also reviewing our current diversity targets to ensure they are stretching but achievable.

Ongoing focus and concerns

Organisational Effectiveness

29. We are now in the High Level Design phase of a future wave of organisational change, specifically looking at:
 - How our target operating model reflects the purpose and strategic priorities
 - Solidifying post-CV19 successes to ensure that we 'change for good'
 - Ensuring our cost base is more affordable
30. We anticipate we will complete detailed design in mid-August with a view to a tranche of organisational change taking place in mid-September. We are proposing to submit an offline Board paper which will detail the size of the opportunity, including the cost and benefits of delivery.
 - At present, we anticipate that over 150 roles will likely leave the organisation which will significantly change our cost base



- As well as reducing FTE, we are looking to invest in essential skills to improve Post Office's ability to navigate its digital journey. This capability build is crucial and will be an integral part of the proposed September announcements.
31. We are also planning how we reset our culture with an early focus on refreshed values and behaviours to support our purpose. We intend to set our Cultural ambition with the GE and our core values and behaviours following our first wave of organisational change announcements in mid-September with rollout and hardwire into our systems and processes in the autumn.
 32. Having successfully opened up our office space for those whose circumstances mean they can be more effective in the office, we are planning the future of our workplace, exploring productivity, engagement and cost savings. We are reviewing when we might return to the workplace, which at the moment will not be before 1st September, subject to government guidelines, to define new ways of working and support our renewed cultural ambition.

Industrial Relations

33. CWU have rejected our 1.2% pay offer and we have formally imposed an increase to 1.5% as our maximum. This is still unlikely to be accepted and we are now likely to be in dispute with them over pay in the coming weeks.
34. Unite are preparing a pay claim for us. The prospects of us reaching an agreement with them based upon our 1.5% maximum are much greater.
35. We have made excellent progress so far with regards to our vulnerable people returning to work across our sites and Supply Chain. Both unions are continuing to work collaboratively with us and we are well on target to return all clinically vulnerable people to work in July as planned. The process in August will then move on to clinically extremely vulnerable people.

Marketing - Easing out of lockdown & re-activating key product services:

36. We have delivered a range of marketing activity across branch and social, educating on implications to services and providing practical help on how Post Office services are adapting to help customers throughout Covid-19.
37. Our priority is to keep both our colleagues and customers safe, so we will be continue with the current 2 metre social distancing messaging in our branches and continue to align our marketing communication to Government guidelines, as per recent Government announcements regarding face coverings in Scotland and England.
38. Our Travel Money and pre-order services are back on sale and we will continue to monitor extensions to payment holiday on FS and other products. Additionally, we have relaunched Travel Insurance through CRM, Social Media and online channels.
39. The GLO/Historic Shortfalls scheme was promoted through National press titles in early July and will feature in the regional titles for next 2 weeks ahead of scheme closure 14 August.

Telecoms Strategy Project – RFP Update

40. In order to conclude negotiations on the Telecoms RFP with TalkTalk, an additional liability was agreed to protect TalkTalk against a perceived risk that Post Office might



engineer a termination for convenience (**TfC**), without incurring TfC charges, by simply moving customers to a new provider in breach of the exclusivity provisions of the RFP Agreement. It is proposed that in this scenario Post Office will pay the TfC charges which would otherwise only have applied had Post Office terminated the RFP Agreement for convenience.

41. This is a variation to the previously agreed position briefed to the Board which was that POL would be liable only for damages if it breached the exclusivity provisions, which must be proven by TalkTalk, rather than an automatic payment. The total potential exposure for breach of these provisions has increased from [REDACTED] to c. [REDACTED] at the point that termination for convenience charges are at their highest.
42. If POL breaches the exclusivity/FTTP preferred partner provisions such that 50% or more of the customer base is transferred to another supplier then POL would be liable for damages, capped at [REDACTED] and termination for convenience charges, which amount to c. [REDACTED] at their highest point.
43. However, in practice the risk is minimal because breach of the exclusivity/FTTP preferred partner provisions is entirely within POL's control. It would have to sign a new outsourcing arrangement with another network provider and then start transferring the customer base to that provider in order to trigger the termination for convenience charges. Post Office has agreed a de minimus level of 5% customer base disposal in case of a decision to dispose of an element of the services/customer base should inadvertently trigger the charges. This alteration in key terms has been reviewed with UKGI as part of the programme governance and they have indicated that they are comfortable with the alteration and that it is within our governed position.

Managing Historical Liabilities and the PGLO (including Stamps)

44. As discussed previously, it is strategically and commercially important that Post Office can ringfence the historical liabilities and exposure of the GLO and Starling so that it can focus upon its current operations, realise its growth opportunities as well as being able to invest in necessary operational transformation. In order to do this, the potential future cost and resource of GLO and Starling needs to be managed and funded separately to the rest of Post Office. The Managing Historical Liabilities board paper sets out the details, but in short, the recommendation is to internally ringfence this activity into a separate business unit, within Post Office initially, with a future view or potential capability to move it to a separate legal entity. I have appointed [REDACTED] as [REDACTED], who will report both to Board and myself, to ensure that these activities continue to be managed but with an enhanced dedicated focus and robustness. The Board is aware that arrangements for a 2 day away day are being made over the late August/ early September period to consider the 47 individual convictions which have been referred by the CCRC to the Court of Appeal /Crown Court. As of 17 July 2020, the mediation scheme has received 800 claims with a total value of fully and partially quantified claims of [REDACTED]. We are expecting to hear progress on the historical management of the GLO workstream from our external lawyers next week and a verbal update will be given to board.



45. As the Board will be aware, KPMG have investigated what evidence exists to confirm whether postmasters have suffered losses as a result of POL's stamps processes and controls. KPMG have found some evidence of stamps losses incurred in the past 12 months suffered by postmasters and confirmed a number of weaknesses in POL's stamps processes and controls. It is important to remember that this issue arises if a postmasters does not follow the correct processes and we are remediating this issue by being transparent with our postmasters, ensuring that there is a forum for compensation under our existing shortfalls scheme as well as complying with our other legal obligations of disclosure to the CCRC and Court of Appeal. Importantly, the operational team have put in measures to ensure these processes and controls are enhanced going forward.

GLO Director

46. [REDACTED] will be joining on 27th July as [REDACTED] to oversee the forward looking GLO Workstream.

Starling

47. The key update is that Post Office was successful in having the trial postponed due to concerns around a last minute delay from the Court in hearing the matters and the potential wasted costs that could be incurred. The matter is likely to be set down for trial in April 2021. This will enable us to explore further, any potential settlement with the CWU and to put in place our strategy to reduce the risk of any future workers' rights claims. This includes; through potential Postmaster board representation and engagement forums, reshaping of the network and a review of our network terms and conditions. The legal team will continue to prepare for trial and mitigate against the legal risks that our evidence does not come up to proof at trial and also to ensure that our witnesses are appropriately supported. The appointment of Alvarez and Marsal will ensure that Post Office's perspective of its commercial model is tested with an external lens.

Communications overview and Political & Regulatory environment

48. **Non-Executive Role for Postmaster on POL Board** - The proposal has strong support from UKGI and BEIS officials, as well Minister Paul Scully MP. Rt Hon Alok Sharma MP, Secretary of State for BEIS, needs to indicate his agreement before we are able to signal the intent publicly. Whilst still outstanding his agreement should be forthcoming.
49. **GLO & BEIS Select Committee** – as a result of lockdown, the planned oral evidence session for Paula Vennells, Nick Read, and Fujitsu was cancelled, and replaced by a request for written evidence. I provided a succinct account of the measures underway to address past shortcomings. We await publication of the Committee's report, possibly prior to Recess on 22 July.
50. **GLO & Justice Select Committee** – at the request of the CCRC when it published its statement of reasons, the Justice Select Committee launched a short inquiry into the



system of private prosecutions in England & Wales. The Committee's focus is not Post Office, but rather on the more forward-looking question as to whether a case could and should be made for reform in this area of criminal procedural law. Given the constraints on Post Office giving evidence while these matters are under consideration by the Courts, we arranged for a background briefing on the area for the Committee's Clerk and Legal Adviser, to ensure the Committee understood our willingness to assist it in its work. This was very much appreciated by the Committee. The oral evidence from legal experts in private prosecutions was helpful in explaining the long established approach to private prosecutions.

51. **Government's Planning Reforms** – the Ministry for Housing, Communities and Local Government (MHCLG) has been spearheading No10-inspired plans for radical reform of the planning laws, partly in an attempt to stimulate business activity post Covid-19 and more generally given the current system's widely acknowledged role in creating unnecessary cost and delay to both public and private projects. However, the original proposal included protections for 'last shop in the village' retail by reference to the Post Office as a proxy, the effect of which would have been to require full planning permission to be sought for any change whatever in the use of these premises, including a decision by the retailer to switch from selling stationery to toys, for instance. This would have had a profoundly negative impact on the business' ability to maintain its network. Following strong representations by the Corporate Affairs and Network teams directly with MHCLG and BEIS/UKGI, we were able to secure a climb down from Government in this aspect of its policy.
52. **Disaster Emergency Committee (DEC)** – we have uncovered an issue with the back office accounting of funds raised by customers for our partnership with DEC and are seeking to resolve this. As a result, we stepped back from their Coronavirus campaign whilst the issue is investigated.
53. **Foodbanks** – we have launched a joint initiative alongside Pay Zone with Trussell Trust to encourage our retailers to host a foodbank collection point in their stores for customers to donate food and other items bought in-store to their local foodbank. This also includes a guide on signposting vulnerable customers to sources of support.
54. **Stronger Together Events** – we have hosted nine regional online events for postmasters, updating them on our strategy, consultation on postmaster engagement and offering an opportunity to ask questions. Over 1200 postmasters participated and we received over 500 questions. Those not answered at the events will be addressed directly and by area managers. All questions will be collated by theme and included in an action plan following the pattern 'you said, we did'. Positive regional broadcast and print media coverage was also achieved from the 27 postmasters receiving recognition awards.

Key business meetings

55. **CEO Meetings with Minister and Permanent Secretary** – I held my monthly meeting with Paul Scully MP earlier this month, and also had my first separate meeting on 14th July with Sam Beckett, Interim Permanent Secretary at BEIS. The meetings help to cement the sense of shared responsibility for the success of the business. Topics addressed included; the Post Office's bid in the forthcoming Comprehensive Spending Review, all aspects of the GLO, the reset in the relationship with subpostmasters, and

Confidential



the business' performance throughout the Covid-19 crisis. It has since been announced that Sarah Munby has been confirmed as the new Permanent Secretary at BEIS. I will arrange an introduction as soon as diaries allow. It is helpful that Sarah already has a good awareness of Post Office and she previously worked at McKinsey.

56. Owen and I have enjoyed frank conversations with the following about the current banking landscape, emerging themes following Covid-19 and their thoughts on Banking Framework 3:
- **Financial Conduct Authority**, Christopher Woolard, CEO
 - **Virgin Money** (recently rebranded from Clydesdale Bank), David Duffy, Chief Executive and Chairman
 - **TSB**, Robin Bulloch, Customer Banking Director
 - **Santander**, Susan Allen, CEO Retail and Business Banking
 - **HSBC**, Ian Stuart, CEO UK Bank
 - **Lloyds**, Vim Maru, Group Director Retail
 - Economic Secretary to the Treasury, John Glen MP
 - **Link**, John Howells, CEO

[REDACTED]

Overview

59. In summary, we are better placed at the end of Q1 than we feared we would be, at the start of Covid-19. More branches are open and for longer hours. Postmaster morale is increasing. Network customer experience continues to hold up strongly and customer sessions are at almost 90% of pre Covid-19 levels. We also delivered a profit in June. The challenge in Q2 will be to generate more trade in our insurance, travel, government services and bill payment businesses. We need to drive footfall, generate sales and provide remuneration for our Postmasters. At the same time we will start to address our cost base through headcount reductions and organisational redesign and we will initiate a formal consultation with Postmasters. We will do this while at the same time engaging with BEIS on the funding round and the outputs of our strategic awayday.



POST OFFICE LIMITED
BOARD REPORT

4.1

Title:	June 2020 (P3) – Performance Overview	Meeting Date:	28 th July 2020
Author:	[REDACTED]	Sponsor:	Al Cameron, Group Chief Finance Officer

Input Sought: Noting

- Discussion & Noting of P3 performance.

Previous Governance Oversight

N/A

Executive Summary

The purpose of this paper is to summarise our Period 3 financial performance, with further details and analysis provided in accompanying slide-deck.



Report

Overview

1. Trading is recovering faster than expected, particularly in Mails, which is also showing better year on year performance. Trading profit was [REDACTED] better than the baseline budget [REDACTED] and security headroom [REDACTED] ahead of target.
2. We are not seeing evidence that the recovery will reach higher levels that we assumed in the budget, but we are recovering quicker.

4.1

3. The baseline budget used for comparison purposes is the current [REDACTED] profitable outlook as approved by the Board on 26 May. We will bring a revised budget back to the September Board.



Highlights

4. **Mails Trading** in P3 finished at [REDACTED], [REDACTED] higher than the baseline budget, with improved trading volumes across all products. Labels continued its strong performance throughout the period, driven by strong sales from high volume customers, with an uplift in sales from social senders as well. Labels volumes were up 11% YoY compared to 3% in P2. Home Shopping Returns sales have been improving since the lock down eased, with strong year on year growth from week 10, in line with improvements in online clothing and footwear sectors. Sales increased by 23% compared to prior period.
5. **Banking Services** revenue was [REDACTED] above the baseline budget with improved deposit volumes [REDACTED] and improved withdrawal volumes [REDACTED] in P3 (refer to slide 10). Deposit volumes were previously tracking at -24% YoY and improved to -14% YoY. In P3 personal deposit volumes have recovered to near pre-Covid levels. Recovery of business cash deposits has been slower, but this is hoped to improve with the relaxation of lockdown restrictions for the hospitality industry. Withdrawal volumes were previously tracking at -27% YoY and improved to -24% YoY. As a result of BF2 price increases, the business is more profitable than last year.
6. **PO Money** is ahead of budget due to higher fixed commissions and [REDACTED] more transactions in MoneyGram. Credit Cards revenue remains low [REDACTED] albeit in line with baseline budget. We are considering whether we should be more forceful in promoting this product, although at the risk of being seen to promote a debt culture. The marketing plan is under Capital One's control, with nothing in the pipeline until September.
7. **Retail, Lottery & Gift Cards** income has been boosted by stronger performance in Lotto draw based games. Gift Vouchers sales have been supported by strong adoption of the One4All card in third party stores. Covid related decrease of 60% is lower than the expected 71% decrease. Discussions with Postmasters to keep Giftcards in a prominent location during the Covid period will help sales to continue to outperform budget.
8. **Insurance** gross income is broadly in line with baseline budget. Managing the migration of Home insurance remains a key priority. Migrations of existing customers at renewal went live from 1st May. The renewal retention rate is recovering from a low of 54% to 59%, against a budget of 71% and a prior year rate of 65%. The flight path from the current rate to the budgeted figure is under review.
9. **POCa** Ring Fenced (RF) account numbers ended P3 at [REDACTED], 16% lower than expectation. This is marked as red on the Commercial Scorecard (slide 7), however, RF accounts are loss making so increased decline in the number of accounts is beneficial to Trading Profit.
10. **Verify** budget assumed the initial Furlough scheme would have ceased, but its subsequent extension reduced universal credit claims back to pre-Covid levels. Given the unprecedented universal credit applications in April, Government Gateway was opened up as an ID route, in addition to Verify, to cope with the volumes.
11. **Total overheads** remain under control with vacancy savings across the business improving staff costs and stable agents' losses and reduced security losses benefitting non-staff costs.

4.1



12. **Security Headroom** closed at █████, █████ higher than forecast (slide 31), driven by improved trading and delayed investment spend. This was partially offset by lower non-Santander client payables, which ended █████ off forecast.
13. **Investment** expenditure was █████ below the budget (slide 33), █████ of which relates to Organisational Effectiveness (OE) programmes being delayed to later in the year. Benefits of █████ were █████ adverse to budget (slide 34), predominantly from Covid-19 driven suspended travel activity in Post Office Insurance. Travel Insurance is now back on sale, although at reduced volumes.
14. **Network numbers** closed on 11,172 at the end of P3 (slides 4 & 5); an increase of 235 from P2. There have been a significant number of re-openings after Covid-19 short term closures. Current branch forecast ranges between 10,900 and 11,200 and assumes no further Covid-19 spike or lockdown restrictions. We have a waiver on Network numbers for Q1.
15. The **# of Sev1 and Sev2 IT incidents** remains high with 9 major incidents for June (slide 3). 2 of these were P1 Incidents which caused some amount of disruption to business services; a Saturday outage meaning c. 10% of counters were not available and an issue with our Shared Mailboxes which meant a number of Business processes were stalled until users could regain access to them. All incidents have been resolved.



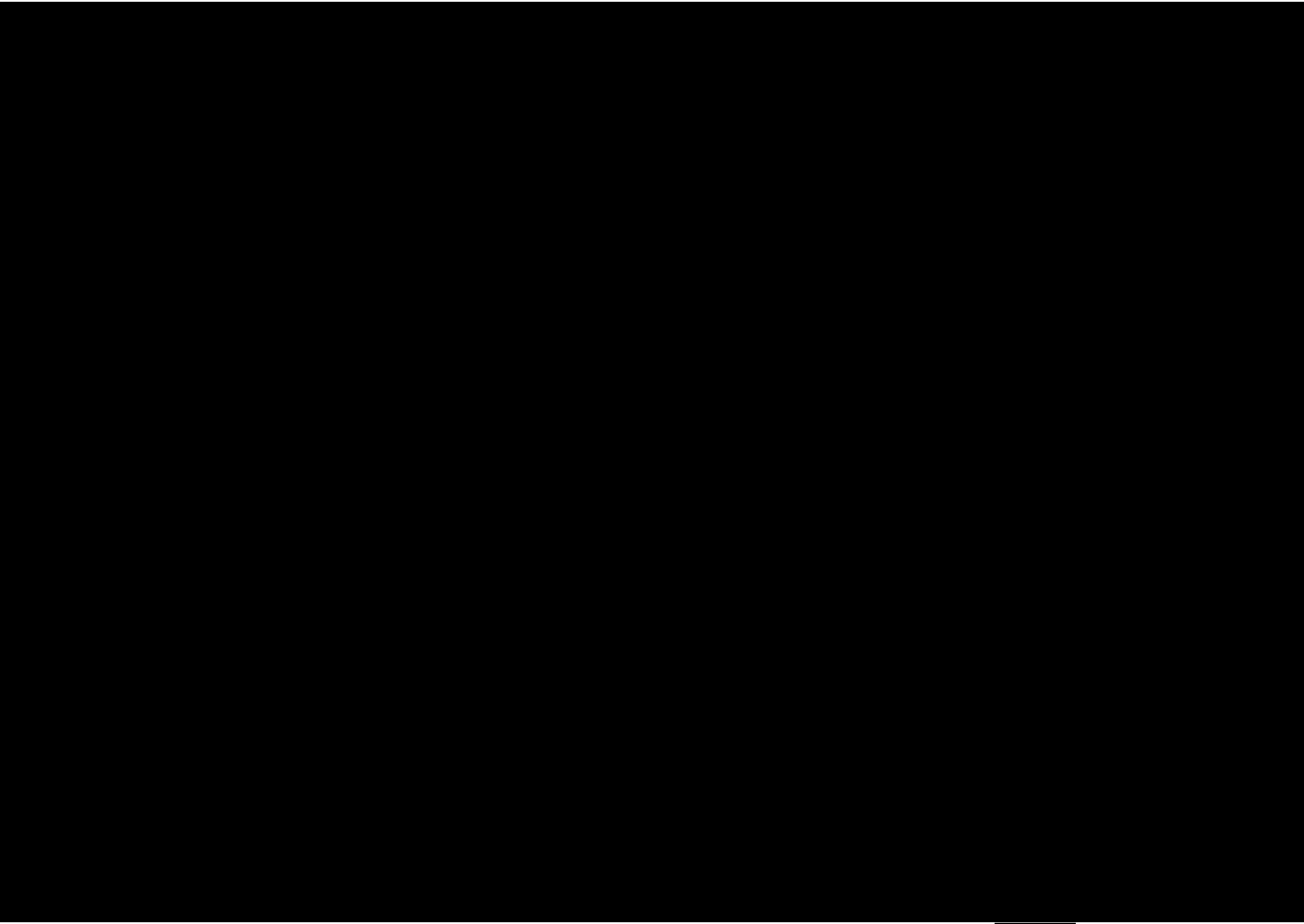
Period 3 (June) 20/21 Financial Performance Review

28th July 2020





[REDACTED]



- **Mails Trading** performance is significantly higher than the P3 budget and showing strong performance YoY, with improvements seen across all product lines, primarily, Labels, Special Delivery, Home Shopping Returns and Acceptance.
- **Variable Agents Pay** is [REDACTED] against budget, resulting from the increased trading volumes.
- **Managed service** costs are [REDACTED] adverse due to the annual payment to Royal Mail for Mails Segregation and Redirection penalties, landing slightly higher than the accrued value.

- **Special Delivery [REDACTED] vs budget and (3%) YoY**
 - SD is still driving the largest YTD YoY gap at (19%). However, P3 results saw significant improvements as the YoY income trend out turned at (3%), which is a 13% improvement from P2.
 - The majority of the uplift has been from smaller basket sizes, driven by a combination of increase in penetration rates (sales focus on SD), and possibly from small professional businesses that are starting to operate again.
- **Labels [REDACTED] vs budget and 29% YoY**
 - Continued strong performance throughout the period driven by strong sales from high volume customers, with an uplift in volumes from social senders as well; up 11% YoY compared to 3% in P2, as lockdown lessens.
- **Home Shopping Returns [REDACTED] vs budget and 27% YoY**
 - Sales have been improving since the lock down eased, but started showing strong year on year growths from week 10 in line with improvements in online clothing and footwear sectors. Sales jumped by 23% vs P2, and we took extra [REDACTED] vs last year.
- **Other Trading [REDACTED] vs budget and 26% YoY**
 - Positive variance due to [REDACTED] allocated against the budget to match the board submission. Excluding this, the variance would have been [REDACTED] driven mainly by continued growth from Acceptance items.

Banking Services & ATMs

Improved withdrawal and deposit volumes driving additional trading profit.

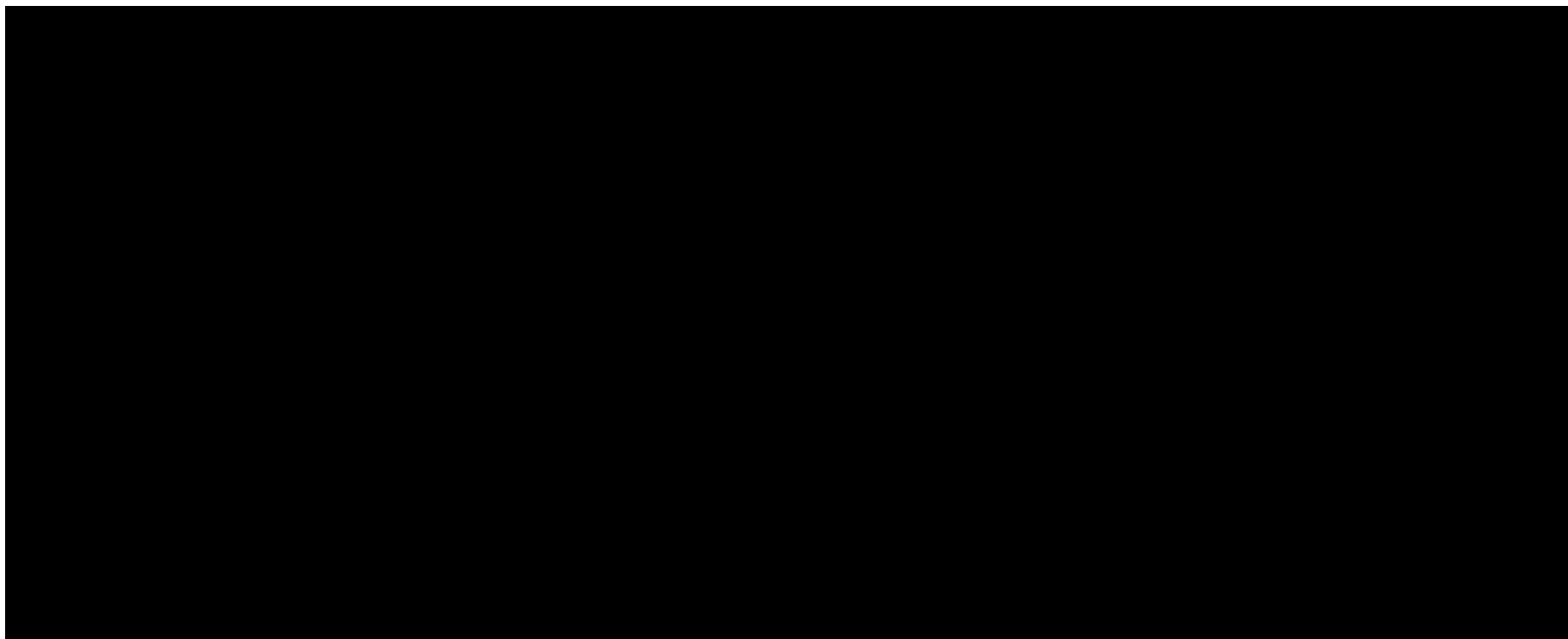


- **Banking Services revenue is [REDACTED] favourable** mainly due to improved volumes in deposits [REDACTED] and withdrawals [REDACTED].
 - Withdrawal volumes were tracking at -27% YOY in P2 and improved to -24% YOY.
 - Deposit volumes were tracking at -24% YOY in P2 and improved to -14% YOY. In P3 personal deposits had almost recovered to pre-Covid volumes.
 - Banking services fixed revenue is +16.8m higher YoY due to higher Banking Framework 2 fixed fee.
- **ATM revenue is [REDACTED] favourable** due to a more favourable outcome of the BOI negotiations of the fixed fee reduction. FY revenue and trading profit benefit expected at c. [REDACTED]. ATM revenue is -44% adverse YOY due to a combination of -3% lower volumes, -10% transacting ATMs and the [REDACTED] BOI fixed fee reduction.
- **Agents Pay [REDACTED] and Cost of Sales [REDACTED] are adverse** due to higher banking volumes in deposits and withdrawals.
- **Postage is [REDACTED] adverse** which is under investigation but expected to be timing.
- **Other non staff costs are [REDACTED] favourable** due to a closure of old POs in CFS.



Banking Deposits

Average weekly volumes by period

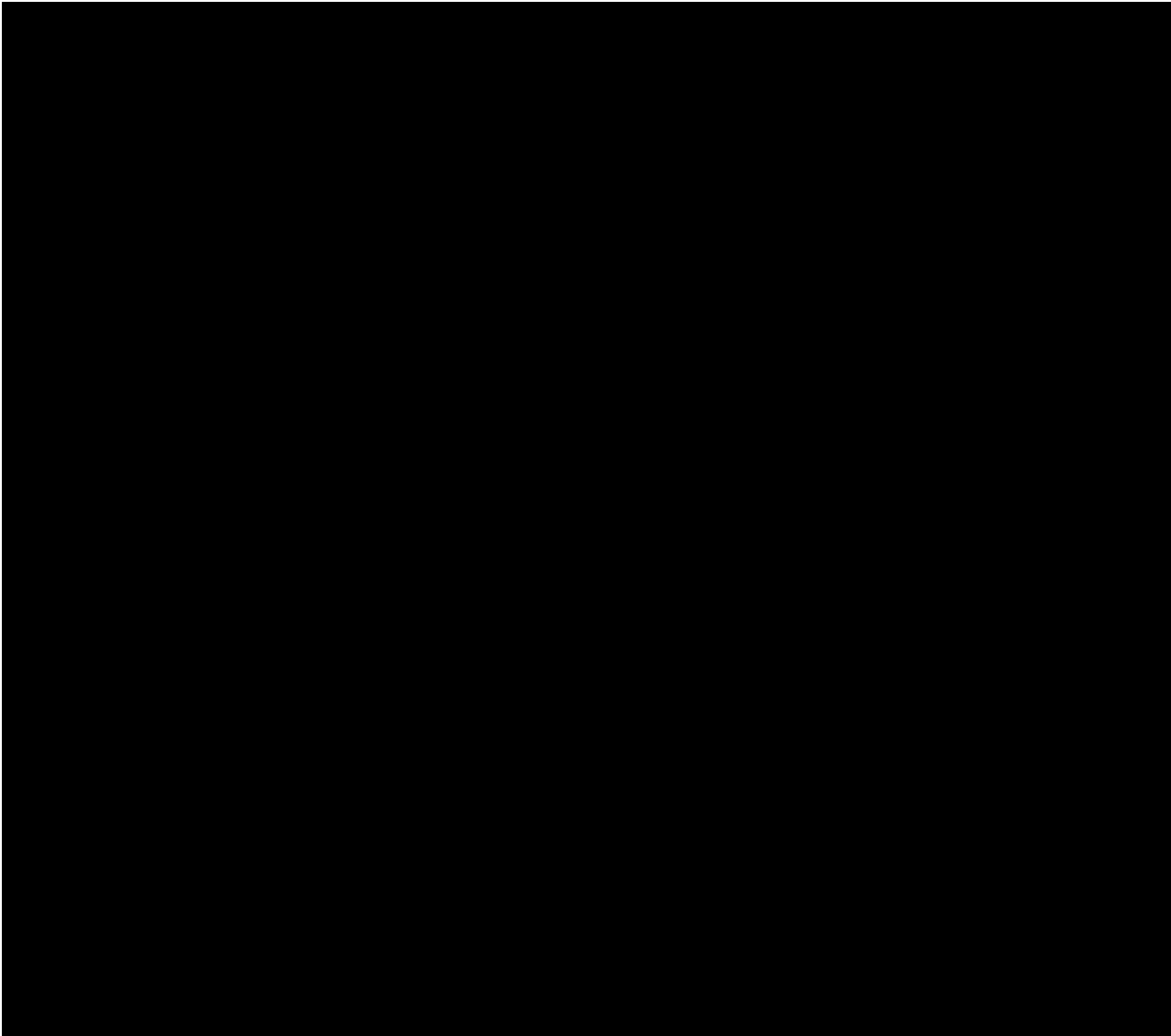


- **Personal deposits** have been recovering quicker than business deposits YTD in FY20/21.
- Further relaxation of lockdown restrictions, especially in pub and hospitality industry, is expected to drive business deposit volume growth from P4.



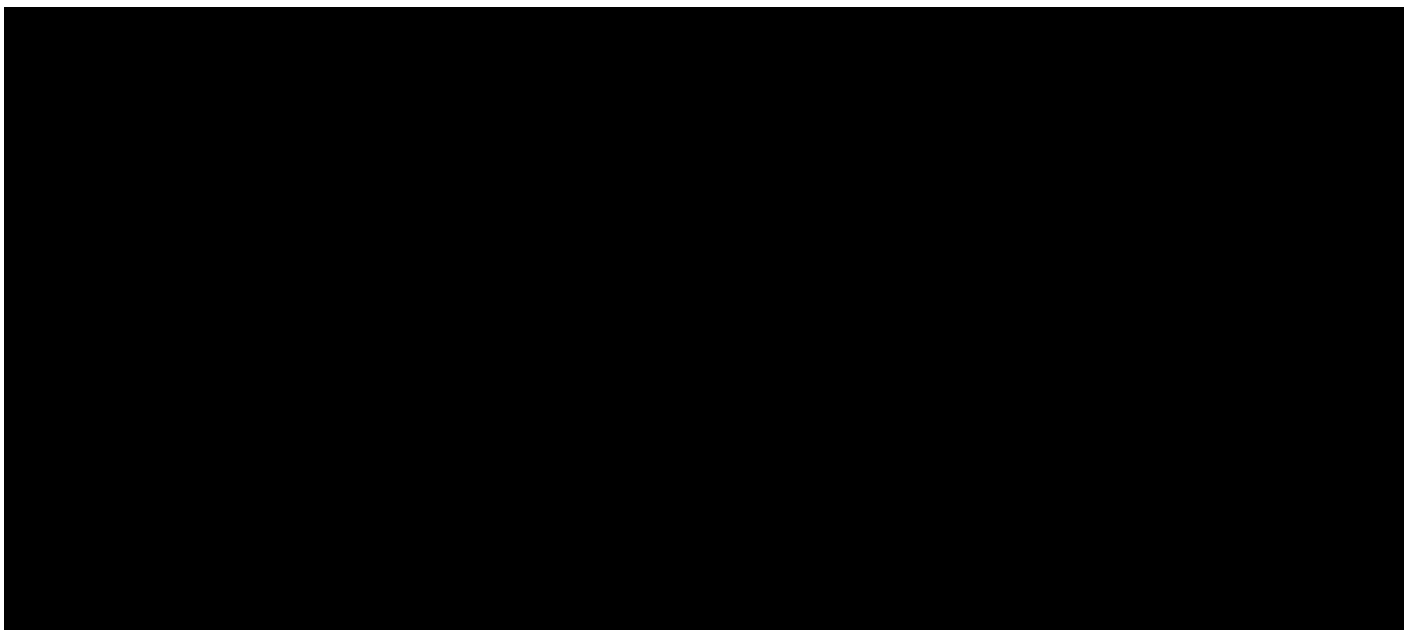
Banking Trends

YoY weekly deposit and withdrawal values showing us recovering towards prior year levels.



Telephony

Trading Profit in line with expectation.



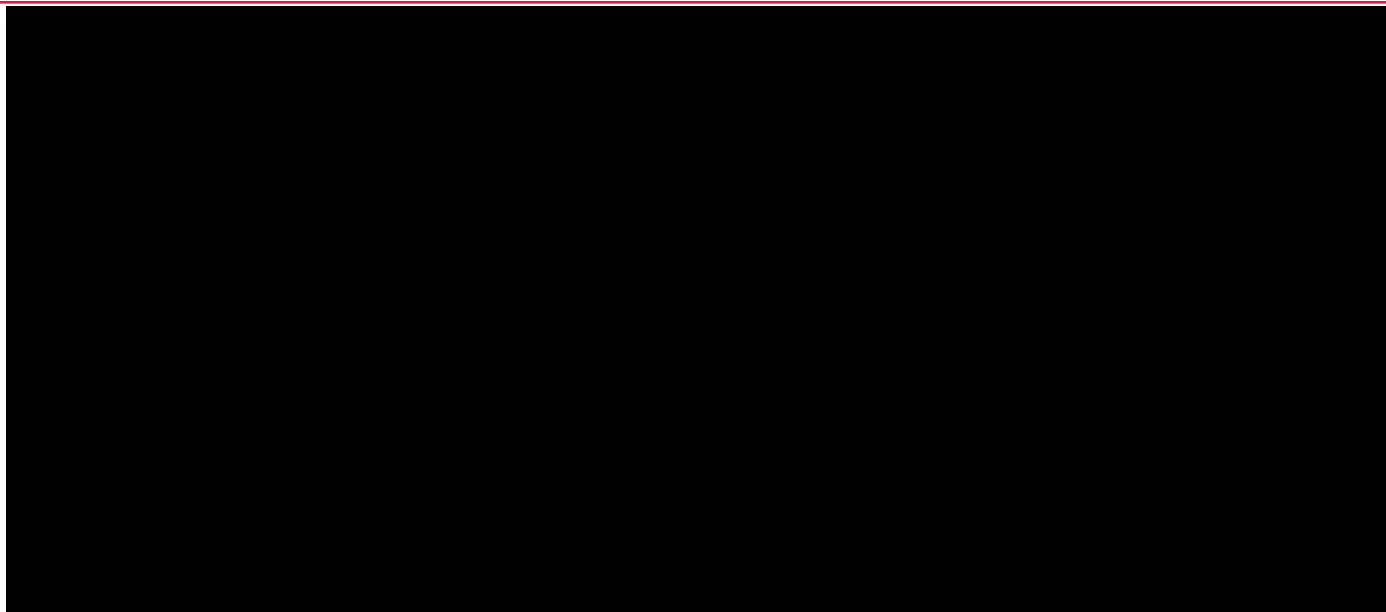
- **Telephony** revenue boosted by larger customer base on fibre customers.
- **Cost of sales** savings on engineer costs [REDACTED] offset by less non-contractual incentive payments [REDACTED] and flow through from increased revenue [REDACTED]
- **Managed services** adverse in period due to one-off safeguard software licence cost [REDACTED] YTD impacted by budgeted savings not materialising ([REDACTED]) and indexation of costs [REDACTED]
- **Year on year** Trading Profit is significantly up due to prior year including Telco strategy costs in opex until P6, at which time they were charged to projects.

PO Money

Higher fixed commissions from new MoneyGram contract.

- **MoneyGram** upside driven by new contract fixed commissions [REDACTED] with remainder due to 73k more transactions than expectation.
- **Postal orders** budget assumed [REDACTED] of breakage, but we are not releasing any breakage until the balance has been fully reconciled and the Barclays query over historical items is resolved. Underlying Postal order sales up 55k.
- **Year on year** BOI commissions are down due to impact of new deal. Travel money is down YoY due to CV-19 impact on market.
- **Consultancy** spend relates to HMRC fees.
- **Finance & losses** credit driven by FX gain.
- **FRES** continues to show loss position. Full year forecast currently at [REDACTED]

Payment Services & Payzone



YTD net income [REDACTED] **-5% adverse to baseline budget.**

Payment Services [REDACTED] -8% adverse to draft budget.

- **Energy** [REDACTED] – Lockdown easing over the course of the first three periods has meant we are showing an upside vs budget.
- **Resellers** [REDACTED] – significant year on year decrease mainly for Allpay. They are investigating the decline with their clients, mainly small housing associations.

Payzone [REDACTED] 13% favourable to reforecast.

Marginally ahead of baseline budget on all sectors (namely **Energy** [REDACTED] and **Parcels** [REDACTED]) and **Telecoms** [REDACTED] with the exception of **Resellers**, **Card Acceptance**, **Financial Services** and **Gaming & Giftcards**.

Cost of Sales; [REDACTED]; adverse variance impacted by historical recharges received from Payzone UK (the seller) as part of the TSA agreement.

Retail, Lottery and Other

Strong lottery performance and payment of previously written off Health Lottery debt.



- **Gift Vouchers** sales have been supported by strong adoption of the One4All card in third party stores. Covid related decrease of 60% is lower than expected 71% decrease. Discussions with Postmasters to keep Giftcards in a prominent location during the Covid period will help sales to continue to outperform budget.
- **Lottery**
 - Variable performance [REDACTED] vs budget in P3. This was driven by stronger performance in Lotto draw based games. The new budget assumed loss of income of (35%), however the recovery has been sharper with P3 only (10%) vs original Budget.
 - Health Lottery posting of [REDACTED] relates to payment covering Jan-Jun. This was not accrued for previously due to payment concerns around The Health Lottery; it has been posted in full in P3. This will have a FY genuine upside of [REDACTED]
- **Agents' remuneration** adverse against budget driven by increased trading volumes. We would expect greater adverse remuneration YTD due to significant lottery revenue lottery upside. This is due a budget phasing issue which is being reviewed in P4.
- **Non-Staff Costs** impacted by Royal Mint write off [REDACTED] and adjustment to the scratch card losses provision [REDACTED]

POI

Trading Profit in line with Budget ytd; [REDACTED] adverse in P3. Travel Insurance now back on sale, over a month ahead of plan; managing Home migration remains key priority, plus optimising Protection, all whilst exercising tight cost control.

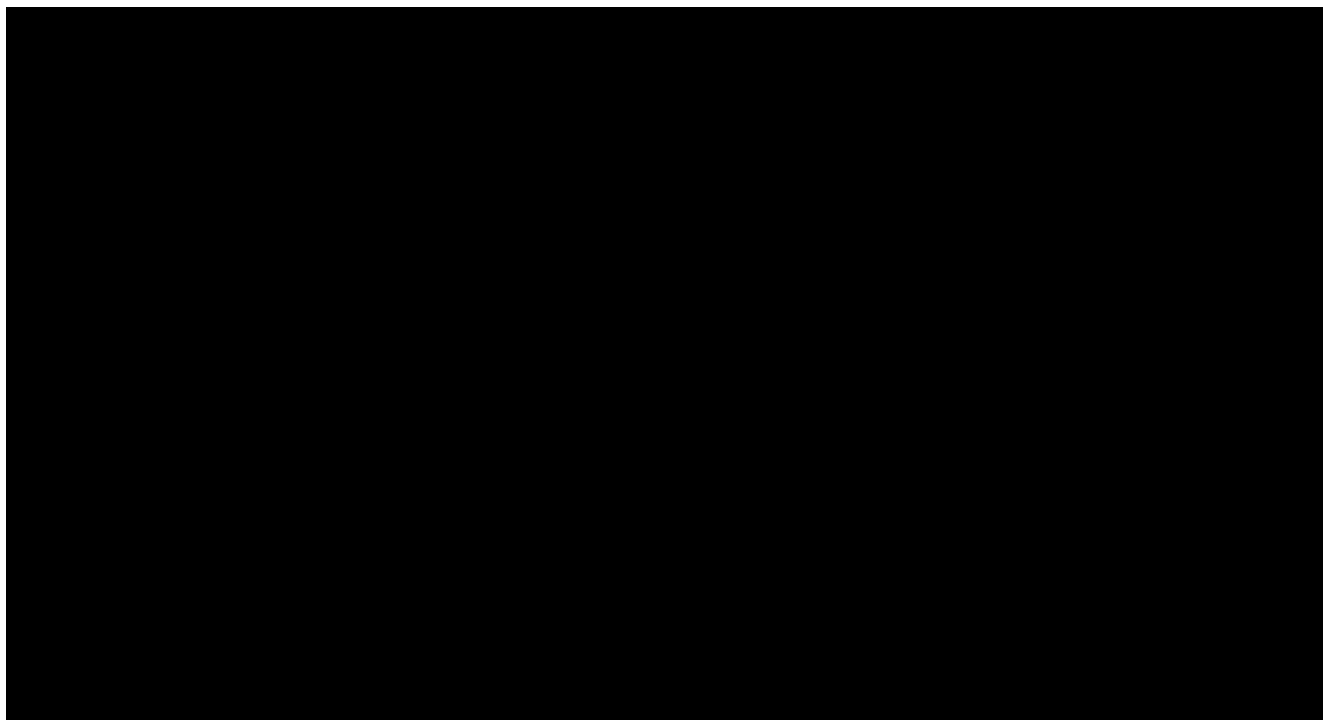
Travel Insurance The product went back on sale on 17th June, although not yet in Branch. Volumes are low (reflecting market demand) but have been steadily increasing, up from 4% initially to now around 15% of prior year's sales (on a daily run rate). However, after impact of cancellations and reduced volume of renewals, income overall is only just positive in the month.

Home Insurance Migration of existing customers at renewal went live from 1st May. The renewal retention rate is recovering from a low of 54% to 59% versus a budget of 71% and a prior year rate of 65%. The flight path from the current rate to the budgeted figure is under review in POI's 3+9 forecast.

Managed Services & IT Costs are both [REDACTED] adverse in P3 due to timing and a handful of minor variances, although Managed Services is [REDACTED] favourable ytd and IT will be managed back in line with budget.

Identity

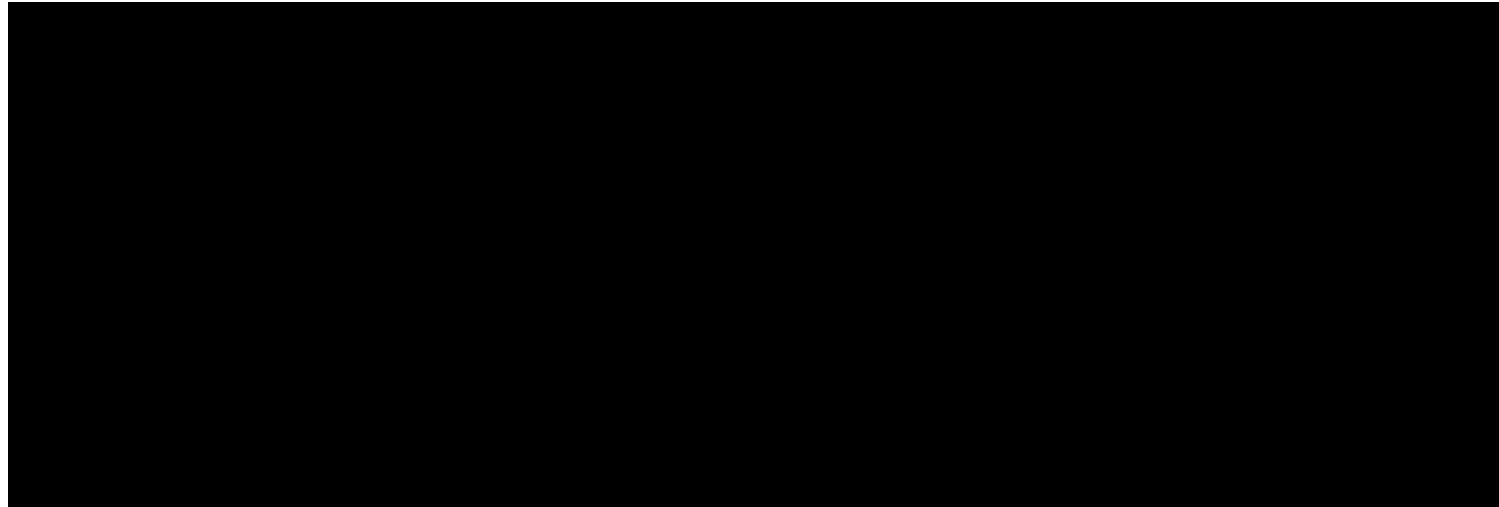
Trading Profit is slightly up on budget due to earlier than expected restriction easing.



- In Branch Products have benefitted from the latest developments around Covid restrictions, resulting in increased product volumes particularly on Passports, Vehicle Tax and Post Office Document Checking Service.
- Verify income shortfall is due to a P1 & P2 adjustment. The number of new users that used their accounts was significantly lower than previous months leading to lower Income (██████████)
- Verify rest of year projections indicates a shortfall of ██████████ partially due to DWP enabling from P3 new Sign ups from Government Gateway. Overall this is a cash neutral risk but will reduce P&L profit and provide an equal saving on change spend.
- Investment spend is favourable to budget due to a P1 & P2 adjustment for Verify and lower universal credit volumes than budgeted.

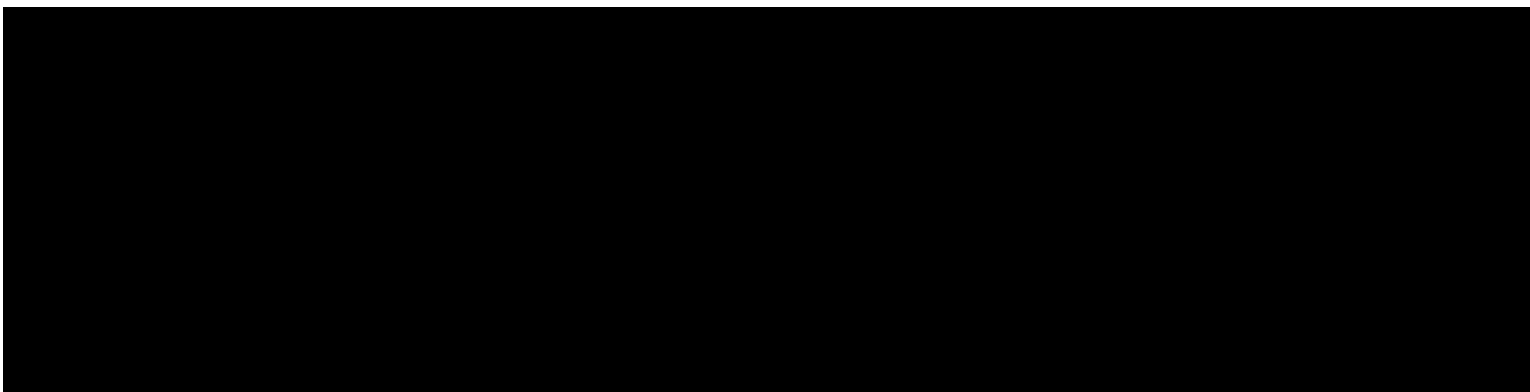
POCa

Lower LIBOR rate and lower NRF accounts lead to adverse trading profit.



- **POCa revenue** is [REDACTED] adverse due to the lower number of Non Ring Fenced (NRF) accounts than budgeted.
- **Cost of Sales** is [REDACTED] adverse, as actuals are yet to be invoiced in P2 and P3, we're expecting this to be in line when these come in.
- **Other Income** is [REDACTED] adverse, as LIBOR rates have dropped from 0.235% to 0.1% with P3 being the first month where we see the full impact of this.

Central Commercial



- **Agents Pay** central costs are a holding area for variance vs the budget that has been evenly assigned throughout the year. We expect this to be adverse throughout the year to take this impact. Some costs were incorrectly assigned into central in P3, and will be removed in P4.
- **Cheque and Card Processing Costs** are [REDACTED] favourable to budget in P3.
- **Other Non Staff Costs** includes budget for commercial opex projects.



Operations Scorecard



Supply Chain

Return to Cash Surplus in branch following further upside in branch trading, signposting costs are set to exceed budget.



Income:

- [REDACTED] prior year income for HVMs, but trading still remains at 50% year on year.
- Stock warehousing and distribution continues to get back to normal levels, driven by an increase in Mails trading and a 20% year on year increase for Mails stock issued to non PO locations.

Staff Costs:

- Year on year decline reflects to reduction in temp costs as well as ending fixed term contracts (9 FTEs) in June as cash volumes dropped.
- As cash levels continue to return further savings originally assumed in the budget will prove harder to achieve.

Postage Costs:

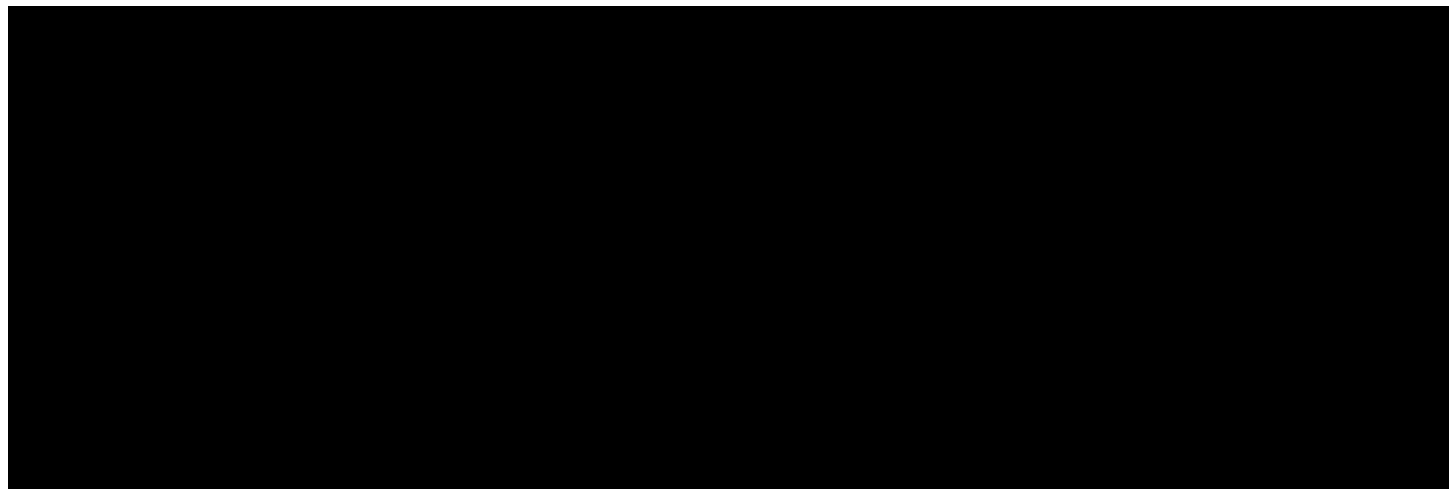
- Increase in the period reflects the branch trading performance as more stationery items sent from Swindon.
- 50k social distancing posters issued in the month from Swindon with incremental costs moving to the CV-19 project as significant cost.

Stationery (equipment):

- Further increases in branch trading resulting in more ink cartridges issued.
- Q2 onward budget assumptions assumed lower trading levels, in line with key products (Mails & Banking). Early expectations are that a [REDACTED] to [REDACTED] risk to the full year cost budget with a continued strong trading trend.



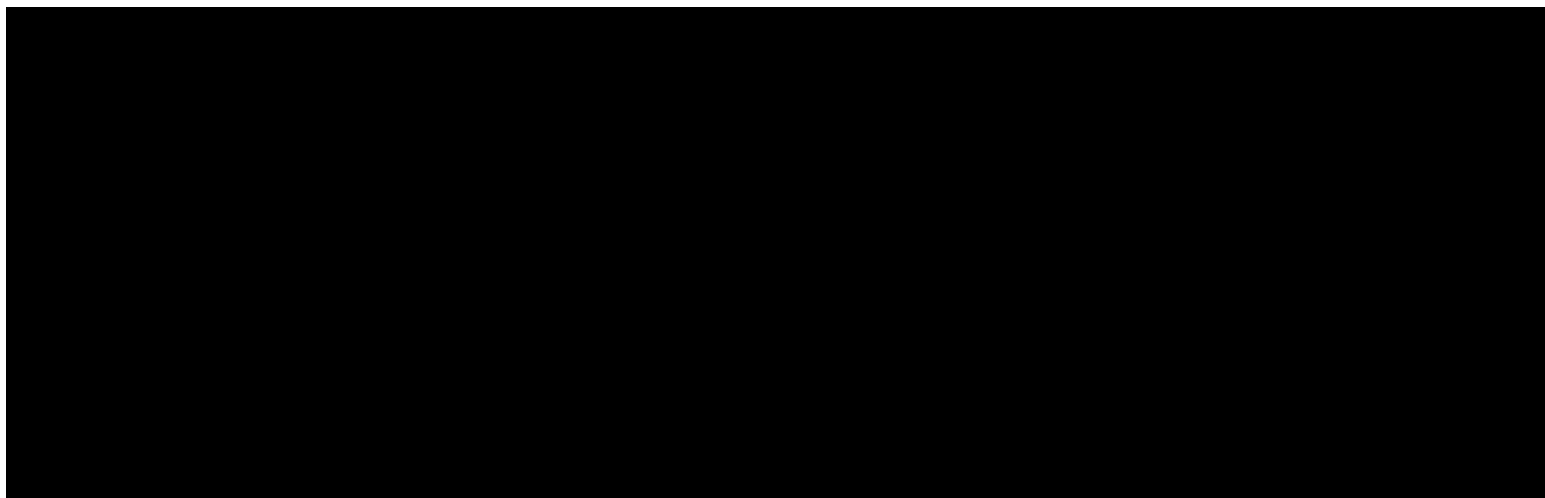
Network



- Staff costs are favourable by [REDACTED] YTD due to the reduction in opening hours & overtime due to Covid-19, offset partially by an increase in Long Term sickness pay.
- Non-staff costs are favourable by [REDACTED] YTD with lower OBC [REDACTED] spend in Q1 as work cannot be carried out in branch due to social distancing measure; no full year impact. T&S [REDACTED] favourable YTD inline with additional saving flagged in latest forecast.
- Investment spend inline with expectations.

Network Ops

On track to achieve budget with further upside if physical losses and agents debt trends continue



- **Staff costs** includes a number of vacancies within the Branch & Customer Standards team and Loss Prevention teams. A number of vacancies will be held during the year to deliver project efficiencies.
- **Property & Facilities Management** costs are favourable due to additional properties added to the onerous lease provision and a catch-up on franchisee rental income.
- **Finance and losses** reflects lower physical losses this month and no change in the agents debt provisions. There has also been no increase in overall agents debt again this month. Property have seen a release in the commercial tenant bad debt provision due to rental income now received.
- Other variances are due to the phasing of archiving, signage, equipment and project costs.

Finance

Ahead of budget YTD with costs challenges included in the second half of the year



- **Staff costs** are favourable due to vacancies within the Procurement, Risk, MI and Financial Controller teams
- **Finance & losses** includes a release of the customer specific bad debt provision and a reduction in the RTA and personal injury provisions
- Other variances are due to phasing of external and internal audit fees and tax consultancy

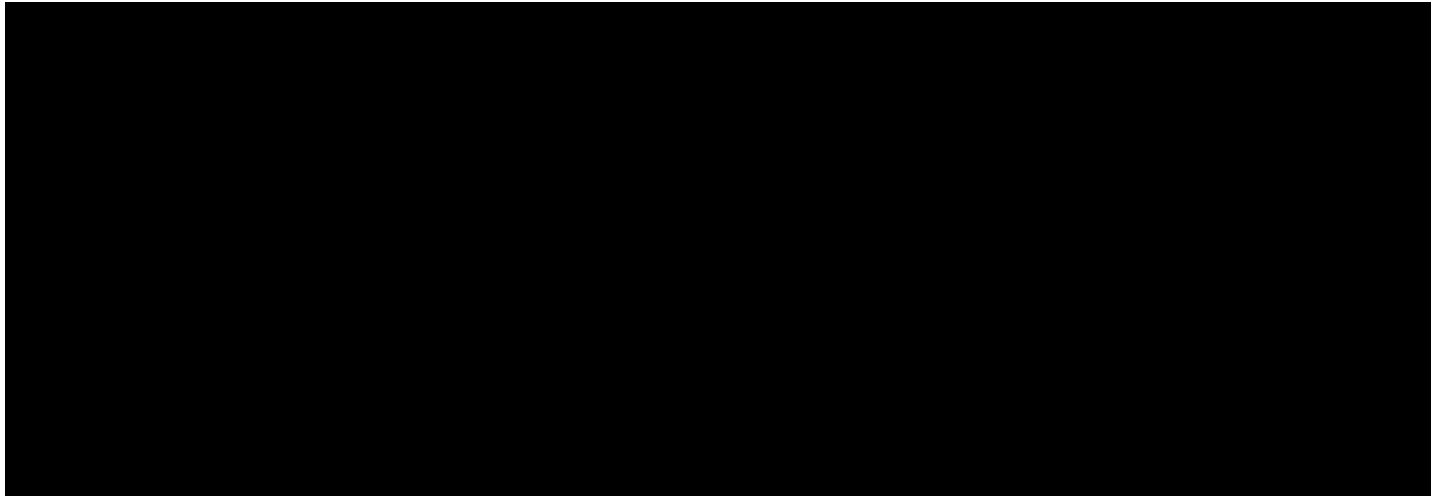


IT Scorecard



CIO

Net operating expenses result in line with baseline budget for P3, with timing difference YTD.



Staff Costs

- In month, [REDACTED] favourable due to YTD cost transfers to Finance; YTD as vacancies not filled and being postponed due to Covid-19. Some staff cost upside also as individual salary is coming in lower than budget plus security analysts cost recoveries higher than budget.

Non-Staff Costs

- In month has favourable movement as we had some prior year PO closures [REDACTED] and accruals no longer required [REDACTED]. Have put back in a central accrual to come back to a neutral position as cost challenge is phased in 2nd half of the year. **Note the updated budget phasing did not take into account of P1 and P2 actuals which included the accrued upside in reported numbers hence the variance in YTD.**

Investment Spend

- [REDACTED] favourable in period primarily driven by delays in approvals for projects.

HR, LCG, Comms

P3 and YTD results broadly in line with expectations, with favourable Staff cost variances driven by vacancies

- **Staff costs** YTD favourable variance driven by vacancies.
- YTD favourable variance in **Other costs** due to a delay in incurring consultancy costs for Reward and Pensions.
- **OE** spend delayed until later in the year.
- Staff costs YTD favourable driven by vacancies.
- Non-staff costs in line with budget
- **Litigation** spend catch up from previous period.
- Staff costs in line with budget.
- Brand & Marketing P3 and YTD favourable variance is driven by the release of PO accruals.



Group Digital, Group Marketing

- In period, [REDACTED] charged to CV-19 project and [REDACTED] charged to central PO Money opex project.
- Marketing spend on budget for period. [REDACTED] budget in Other relates to cost challenge.



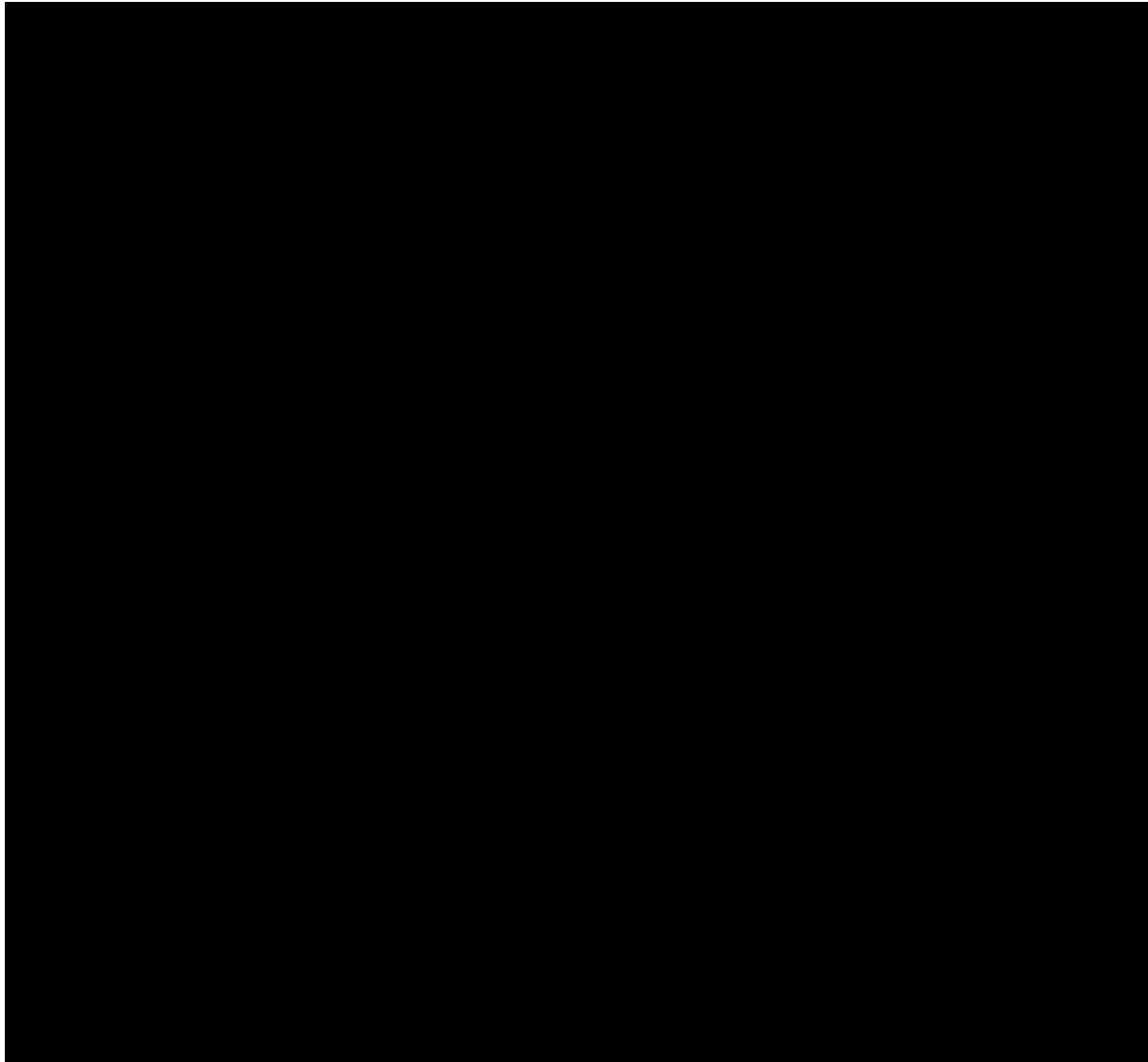
Central

Year on year increase of bonus accrual due to movement of employees from Change into BAU. Bonus savings for the year have been phased into Q4.

P3 Non staff costs credit relates to VAT recovery. YTD non-staff costs adverse due to stock adjustment to align CFS to stock system.

Nil operating expenses as all spend recharged to projects.

P3 Balance Sheet & Headroom



- Gross Network Cash was on forecast for P3 (██████████) with a change in funding mix between POL's Working Capital Facility (WCF) and the BoE Note Re-circulation Facility (NRF).
- This is driving an off-setting variance for Network Cash (after NRF demonetisation) and the government loan/WCF. NB The BoE NRF is off Balance Sheet for POL.
- Overall net funding position of ██████████ is line with forecast.
- Security headroom is ██████████ higher than forecast, mostly due to improved cash trading in period, together with delayed investment spend; offset by lower non- Santander client payables, which ended only ██████████ off forecast.

Cash Holdings

Cash in the network at P3 was [REDACTED] broadly in line with P2 of [REDACTED], as cash levels are stable after the Covid-19 contingency measures put in place around the lockdown at year end.

Branch holdings of [REDACTED] are in line with the previous period ([REDACTED]). Note: £ Cash Holdings in Branch are after deducting [REDACTED] adjustment in P3 (P2 - [REDACTED]) to reflect weekend ATM activity and corresponds to the [REDACTED] COH figure reported separately by Supply Chain for Sunday 28 June.

FX holdings in P3 were [REDACTED], in line with P2, as inventory levels have reduced down reflecting limited activity in our Bureau business. This was in line with forecast of [REDACTED]. The Cash in Network at P3 of [REDACTED] was [REDACTED] higher than the forecast of [REDACTED].

Operational Inventory Holdings at Cash Centres include [REDACTED] of notes in pouches to be used for contingency in connection with Covid-19.

The cash centres have not been using the morning extended bond opening hours for withdrawals during period 3 because of resource issues. Some use of the extended pay-in period has been made during the period. At period end this amounted to [REDACTED].

By the end of P3 the [REDACTED] Afit [REDACTED], temporarily stored by the BoE on our behalf at Debden, had been collected and sold to two NCS members.

Notes:

- (1) Unprocessed inward rem's received in cash centres today for next day processing
- (2) Unprocessed other inward collections in transit to cash centres - more than 1-day trunking to site
- (3) Unprocessed inward rem's received in cash centres on previous days awaiting processing
- (4) Cash-in-transit at co-located cash centres for tomorrow's deliveries to CVIT depots
- (5) Cash-in-transit at standalone cash centres for tomorrow's deliveries to CVIT depots



Change Spend



Investment spend was [REDACTED] for the period, [REDACTED] lower than the budget driven by:

- [REDACTED] related to HR programmes being delayed to later in the year;
- [REDACTED] related to Network Operations primarily driven by CT vacant leaseholds & CT onerous property contracts as provision has been reduced to property disposal occurring earlier than forecasted and lower costs for dilapidations;
- ([REDACTED] related to CIO primarily driven by delays in approvals for projects;
- [REDACTED] related to LCG – Litigation due to catch-up in spend from previous months.



Change Benefits



Change Benefits were [REDACTED] for the period, [REDACTED] below budget driven by:

- [REDACTED] related to PO Insurance mainly driven by Cronus project as there is currently no trading on Travel insurance;
- [REDACTED] related to Identity due to lower volumes in verify which has been offset by a lower change spend;
- ([REDACTED] related to Network due to removal of Agents' remuneration review benefit from Anaplan;
- ([REDACTED] related to Finance driven by the Source to Settle project due to lower POL external spends coupled with the Covid 19 impact savings are being re-baselined;
- [REDACTED] related to PO money mainly due to MG re-Procurement contract been signed in the month which was 2 months later than expected.



POST OFFICE LIMITED
BOARD REPORT

4.2

Title:	Four Year Plan & Draft Funding Submission	Meeting Date:	28 July 2020
Author:	[REDACTED]	Sponsor:	Al Cameron, Group Chief Finance Officer

Context

The Board is asked to approve an updated, draft funding proposal for 2021-24 for submission to and discussion with BEIS, UKGI and HMT.

We are keen to remain in sync with the Government’s departmental spending decisions. We expect that a final submission will be required in early September and that Government decisions will be announced in November. We have prepared for a three-year period to March 2024. A capital submission is also required for 2024-25 but we are not seeking additional funding.

We submitted an initial discussion draft in February. This requested [REDACTED] of network subsidy and the need for conversations on network rules, security headroom, Postmaster alignment and the responsibility for future legal outcomes.

CV-19 has reduced in year profitability by c. 90%, further reduced security headroom and brought branch numbers temporarily below 11,000. The Board approved an updated 4 Year Plan (4YP) to March 2024 in May which highlighted the impact of CV-19, our inability to continue to fund the GLO, a period of negative security headroom and net liabilities but also a return to material trading profit and the potential for future, commercial sustainability. KPMG provided some assurance over this work for UKGI.

This document will continue to evolve.

Executive Summary

Post Offices matter more than ever. Our renewed purpose affirms the importance of our UK-wide network and the people and businesses that rely on us. We have the opportunity to over-index with customers that matter to the government’s agenda, including those in small cities and towns across the UK.

In this paper, we will deal with the hard numbers and the scale of the services we provide. Less tangibly but as importantly, we do more than that. The dry bones of locations and transactions do not fully capture the emotional importance of the services our Postmasters provide. We appreciate they are not important to the affluent, online, visiting City Centres. But if we are not in local, provincial, rural and urban deprived communities fear, isolation and deprivation will increase. If we are not there:

- people fear that their communities are being undermined
- older people worry that without us, withdrawing POCA will stop them accessing their cash
- people without computers and wi-fi are isolated and cannot easily do their business with Government – no digital identity – or corporates like the energy companies or simply send a birthday present

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- people in 3,500 communities would have to travel to post a parcel, get cash or pay their bills. With limited bus networks this means driving, or as many of these people cannot afford a car, catching lifts, dependent on neighbours.
- for vulnerable older people, we are often their only social interaction. Without us they will become more isolated with real consequences for their physical and mental health
- we have multiple examples of Postmasters checking on customers and saving their lives, giving advice on how to avoid scams and providing practical support. Without us, people will be lonelier and more scared.

The importance of the Post Office was reinforced during the recent CV-19 lockdown. Through our tireless efforts to support and encourage postmasters to continue serving their communities, 90% of the physical network remained open. Our support of postmasters was a direct result of our self-funded remuneration guarantees and the 8.3m items of PPE we supplied. However, it was not just postmasters, and their own local businesses, which benefited, our customers did as well:

- During the midst of the CV-19 crisis, our opening hours and our retail location availability was greater than other retailers such as the banks. In fact, many Postmasters have given feedback that banks were directly pointing their customers to our branches
- When the banks closed their doors, we reconfigured our operations, within 3 days, to ensure delivery and continuity cash to vulnerable people through our CashDirect service. To date we have completed 800 cash deliveries, distributing nearly ██████ in pensions and benefits to isolated customers.
- As a leader in U.K. cash transportation, we were able to quickly work with other industry partners to provide backup delivery and cash processing capability. Customers noticed and we are, for example, now serving more Lloyds customers than we were before lockdown.
- When the Coronavirus hit hard in local communities, we responded to the sudden closure of branches by opening a "pop-up" post office within a week to meet local needs. There was widespread local press coverage, praising post office for responding to the situation so quickly both In Yarm, Stockton on Tees, England and Maesteg, Bridgend County Borough, Wales.

Now, after the lockdown, PO transactions are recovering faster than other businesses: mails is operating at higher volumes than before lockdown and ATM usage has remained 10% higher than the industry average. We achieved this without recourse to additional government funding while increasing our projected profitability through significant self-help measures that mean we expect to make a trading profit in 2020/21.

By delivering the national access criteria, Post Offices are the only national, physical retail network, delivering:

- free, national access to cash
- critical support for the digital economy, enabling 40% of parcels sent by consumers and small businesses, to support economic recovery and the opportunity for 'levelling up'
- trusted connections to digital services including insurance, identity, telephony and financial services
- access to competitive markets for customers who do not use digital services
- the last shop in c. 7,588 rural and urban deprived communities
- footfall to support high street and convenience retailers
- reduced carbon emissions through more local journeys, contributing to the Government's ambition to reach net zero carbon emissions by 2050



This has been made possible by sustained material financial support from Government. Everyone involved with Post Office recognises how essential that has been and is grateful.

We have substantially delivered the promised returns for that money. We have consistently delivered the access criteria and expect to continue to do so. We maintained over 11,500 branch locations until CV-19 and are back above 11,100. We have delivered a commercial performance that improved year after year and ahead of expectations until CV-19 hit. Our commercial revenue had improved by [REDACTED], offsetting further declines in Government revenue of [REDACTED]. Our costs have fallen by [REDACTED] and FTEs by 49%.

Not everything has gone according to plan and we are learning lessons:

- Just before the 3 Year Plan (3YP), we implemented SAP Success Factors to support our people administration. This was poorly developed and implemented. We have substantially strengthened our controls around change management and a recent Internal Audit demonstrated improvement.
- We inherited our core IT systems from the Royal Mail Group and under-estimated the cost of updating them, spending more on projects that deliver stability and resilience but not always substantive improvements or lower costs. We have a fundamental task to deliver the right IT system to supersede Horizon and are planning this with great caution and care.
- The GLO has not helped. On advice, we defended the claims robustly but lost in all material respects. We have accepted the Judge's findings, requiring us to accelerate material cultural and operational change which will be of enduring benefit. This has cost us [REDACTED] more than plan with more to come. We have learnt the litigation lessons and have been managing the upcoming workers' rights case differently.
- We acknowledged in 2019 that we had tilted the commercial balance of Post Office away from Postmasters. We have invested in higher remuneration, stronger field teams and improving back office support. This is a fundamental cultural change which is underway but incomplete.

Commercial sustainability is taking longer and costing more than we hoped for four reasons: the need to increase agents' remuneration; the increasing cost and time to replace systems; the cost of and focus on the legal management of the GLO; and CV-19 lockdown. These are resolvable by us except for the GLO.

There remains an opportunity to deliver a commercially sustainable, national Post Office service of significant value to the Government and the public with added flexibility, making it fit for purpose for the 2020s. We can deliver:

- More than 12,000 branches, distributed nationally and meeting the national access criteria offering the right services, in the right places at the right time notably for urban deprived areas and rural communities
- A different relationship with Postmasters, served and enabled by POL
- Free national access to cash, mails and bill payments not only essential to consumers but also fundamental to business start-ups and SMEs helping kickstart the economic recovery.
- Support, care and commercial opportunity for vulnerable and marginalised people and communities, critical to the levelling-up agenda, guaranteeing support for rural and urban deprived areas
- A Post Office structure that can invest sufficiently in the business from its profits, enabling some profit sharing with both Government and Postmasters.
- Fewer and shorter car journeys than any alternative service provision

There is a huge amount to do and this is an ambitious plan. Key successes required will be:

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1. Extending our Royal Mail (RMG) agreement and expanding into the parcels market across the UK, enabling small businesses in every town convenient access to sending and receiving parcels.
2. Delivering a 3rd Banking Framework which sustains access to cash and facilitates easy cash deposits for local businesses across the UK; and remains highly profitable while reassuring the banks that they can continue to outsource to us.
3. Re-building our broader travel business post CV-19.
4. Reducing the costs and management support for other businesses including Mortgages, Savings, Identity, Telco and Insurance. This will involve re-negotiating and further reducing our relationship with Bank Of Ireland.
5. Reducing our cost base (excluding Postmaster remuneration) by a further 11% and our headcount to 1,600-1,700.
6. Closing all directly managed branches to reduce the cost to serve.
7. Delivering a new relationship with Postmasters where we are simpler and cheaper to deal with, are far more supportive and engage in a mutually beneficial, commercial partnership, enabled by technology.
8. Replacing Postmaster contracts with modern versions, consistent with the GLO and ensuring that Postmasters cannot be confused with workers or employees.
9. Increasing automation in the network without funding kit ourselves.
10. Replacing the Horizon system and its Fujitsu support arrangement by 2023 or as soon as possible.
11. Growing a Post Office network to above 12,000 branches for the first time in many years as we open substantially more flexible formats across the country, meeting the needs of customers, clients and, of course, our postmasters who are the face of the Post Office.
12. Opening up the possibility of a dividend payment to Government, matched by Postmaster profit share.

To deliver, we need the following support from Government:

- A revised definition of a Post Office and the required SGEIs a Post Office must deliver. This will enable us to increase urban presence for Mails and Bill Payments without the additional cost of providing cash where availability is high. Rural, urban deprived services and the access criteria that protect vulnerable and left-behind customers will be rigorously maintained.
- Your full-throated support for our commercial agenda. Our shared agenda would benefit from Government publicly supporting our role in sustaining the right to use cash including the importance to businesses of cash deposits and also in the development of trusted digital identity markets.
- [REDACTED] of additional funding in the form of equity. This is slightly less than in the previous funding period but materially more than expected, as a result of CV-19 and the GLO. We have recognised through initial discussion with UKGI and BEIS that this should be requested in two tranches and not up front and we are open to a question on having some future checkpoint if asset sales transform the picture.
- A separate funding workstream for the future costs of managing and compensating Postmasters under the GLO and for any changes in workers' rights. This will be supported by ring-fencing within POL or a shift to a separate and independent organisation that will also monitor our ways of working with Postmasters.
- A revised definition of Security Headroom, matching any changes in the Santander relationship and enabling future Fixed Asset purchases to be included in the formula.
- Funding that replaces any reduction in support from the Bank of England.

The financial support required is significant; we understand there have never been more claims on the public purse. However, some of the proposed measures help customers but do not



require additional funding. We also believe that this plan gives the best long-term financial outlook for Government while providing critical support to the stated objectives for the Comprehensive Spending Review, notable securing economic recovery and levelling-up.

We expect there to be significant debate about our proposals. Indeed, we welcome analysis of every part of this plan to ensure that our funding and our targets are consistent. Only the Government can decide its priorities. The Government can of course give less support. That is likely to impair our ability to deliver stable IT, maintain the network, force us outside our financial arrangements, make more controversial cost savings including accelerating the closure without replacement of Crown offices, sell assets (probably at undervalue in today's markets) while certainly delaying or preventing commercial sustainability.

We expect to engage in further discussions with you during August, supporting further assurance work as required. We expect to submit a final submission in September.

Our report is divided into the following sections:

1. Do Post Offices Matter?
2. Are we delivering our current commitments and what have we learnt?
3. What does success look like?
4. How will we deliver success?
5. What support do we need from Government?
6. What are the key risks?
7. What assurance is being undertaken?
8. What happens if we get less funding?
9. What is the outlook to 2023-24?
10. What would the 4YP look like if we sold Telephony?
11. What are the next steps?

We are hugely grateful to colleagues in BEIS and UKGI for their support, challenge and engagement.



Report

1. Do Post Offices Matter?

In November 2016, analysis by YouGov and London Economics for BEIS valued the contribution of Post Office to the UK at between [REDACTED]. This has not been updated but we believe the value drivers are even more valid today:

- National access, providing a level playing field for individual customers and businesses, not just in city centres and the affluent south-east, but urban deprived provincial communities and rural areas.
- Footfall to support high street retailers
- Support for the last shop in 7,588 rural and urban deprived communities
- The last, national source of free access to cash and a UK wide network for deposits.
- Trusted connections to digital services for customers
- Access to competitive markets for customers who do not use digital services
- Reduced car usage, operating within 1 mile of 93% of the population

Commentators sometimes assume that PO is declining, notably as social mail reduces, and branches are seen as a throwback designed solely to protect the elderly. Trading patterns during Covid-19 refute this, with sending and receiving of parcels becoming more important, and innovative ways to receive cash valued by multiple demographics. Overall, our commercial business is thriving and until the CV-19 lockdown was growing. It has also been returning faster from lockdown than other businesses. The challenges are real but so is the opportunity of growing customer demand.

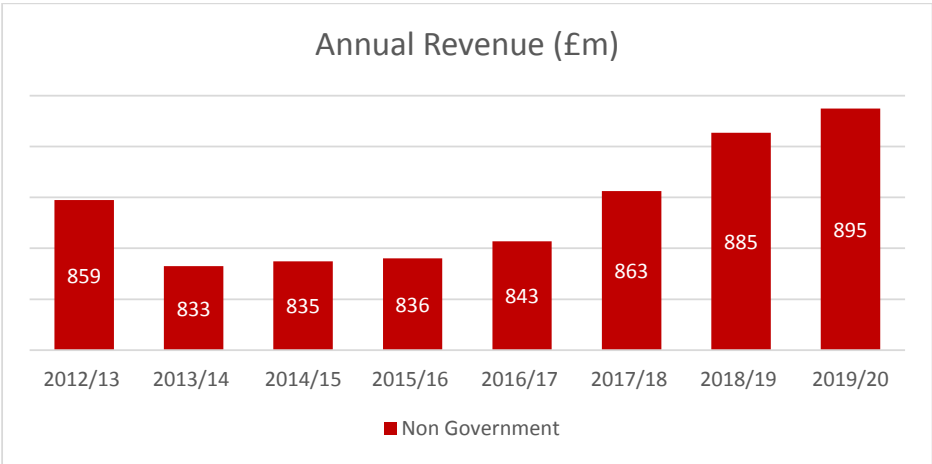
For example, cash and banking services are increasingly important as retail banks continue to close branches. New research by Citizens Advice in their report *Banking on it* (July 2020) states that: "more than half (55%) of postmasters say there are no bank branches in the community their post office serves, and in rural areas this rises to 3 in 4 (74%). Over 2 in 3 postmasters (67%) who've seen a local bank shut say it led to a significant increase in the use of banking services at their post office.

One key measure is customer sessions, a weekly assessment of the number of times a customer has bought at least one item in a Post Office. This had grown again in the past year and is at 92% of pre-lockdown levels:

Average Customer Sessions (millions per week)				
2016-17	2017-18	2018-19	2019-20 (Pre CV-19)	2020-21 YTD (Post CV-19)
10.6	10.4	10.3	10.4	9.6



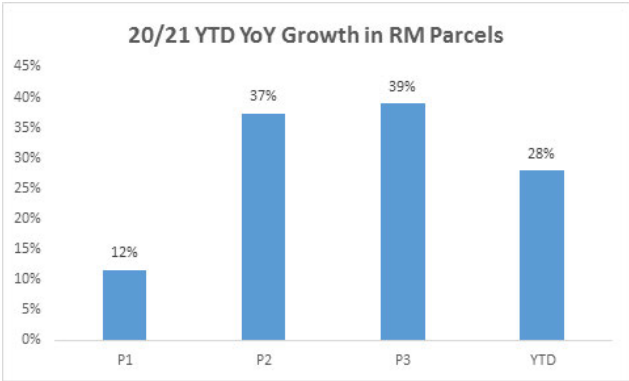
Another measure is our turnover with third party, commercial organisations, which has been growing steadily since 2013-24, a testament to the commercial value of being the only truly UK wide network:



During lockdown, 90% of Post Offices remained open, reflecting Postmasters’ understanding of their value to their communities and our determination to support them with some c. [redacted] of additional remuneration and c. [redacted] of PPE (to protect both Postmasters and Staff). We ensured that cash remained available nationally. We did not furlough staff except in our commercial travel joint venture, FRES and did not apply for any forms of direct CV-19 Government support. Most staff have been helped to work from home and where that has not been possible, have been supported with PPE. All of our staff have been paid in full whether they were able to come to work or were too vulnerable to do so.

While PO’s commercial revenue has suffered badly from CV-19, with an effective shutdown of our travel businesses, the performance of our two core businesses – mail & parcels; cash & banking - shows how critical we are to the UK economy.

Our parcels business slowed in the first month of the crisis, but is now performing materially ahead of the prior year as the digital economy strengthens, growing small and medium parcels in particular:



In our cash business, while we are operating at 80-85% of pre-CV-19, it is worth noting that:

- Our ATM business dropped some 10% less than the industry and remains around 85% of normal levels, compared to the industry average of 50%, benefiting from our greater presence outside city centres where people are most vulnerable to a loss of access to cash.



- While cash usage has dropped, we have gained customers from large banks who have further deteriorated their customer service during CV-19. As shown in the chart below, we are processing more transactions for Lloyds Bank than we were before lockdown:



4.2

By any measure POs remain critical to the whole economy and not just people that otherwise might be left behind. No 10 recognised this, thanking Post Offices in a CV-19 briefing.

The pressures on the high street are getting worse – we already represent some 2% of the remaining estate, and that will likely increase if we can maintain the network.

As the only truly national, physical network our Postmasters provide a further value to their customers and to the UK as a whole. We appreciate that Post Offices can be of limited importance to affluent, online savvy customers who routinely visit City Centres. We do not deal in luxuries, we provide basic services that people depend upon to pay their bills and maintain their independence. If we are not in local, provincial, rural and urban deprived communities fear, isolation and deprivation will increase. If we are not there:

- people fear that their communities are being undermined
- older people worry that without us, withdrawing POCA will stop them accessing their cash
- people without computers and wi-fi are isolated and cannot easily do their business with Government – no digital identity – or corporates like the energy companies or simply send a birthday present
- people in 3,500 communities would have to travel to post a parcel, get cash or pay their bills. With limited bus networks this means driving or as many of these people cannot afford a car, cadging lifts and dependent on neighbours
- for vulnerable older people, we are often their only social interaction. Without us they will become more isolated with real consequences for their physical and mental health
- we have multiple examples of Postmasters checking on customers and saving their lives, giving advice on how to avoid scams and providing practical support. Without us, people will be lonelier and more scared.

Post Offices matter to customers more than ever because *we're here, in person, for the people who rely on us.*



2. Are we delivering on our commitments and what have we learnt?

We are 27 months into a 3 Year Plan (3YP) that lasts from April 2018 to March 2021. It is important to remember that comparison against that 3YP includes a significant element of forecasting for the current financial year. More importantly, in common with most businesses, the shape of delivery has been severely damaged by CV-19,

When we quote the 3YP we are focusing on the documents approved by the Board in October 2017. In addition, there was an earlier and more detailed document setting out our requests and proposals in June 2017. This document was not the same as the 3YP and in particular, we did not receive a proposed loan facility of up to [REDACTED]

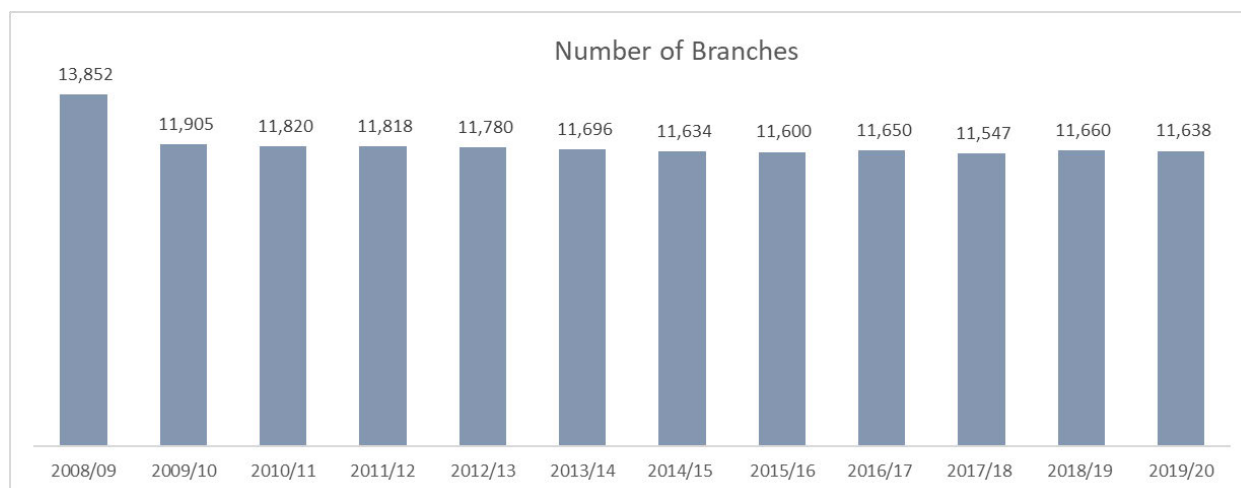
Our primary objectives for the current 3YP period are:

- Maintain a national network of more than 11,500 Post Offices.
- Meet national Network Access Criteria.
- Reduce Funding over time, in line with the agreed investments.
- Protect 3,000 Rural Branches.
- Deliver commercial progress to [REDACTED] EBITDAS in 2020-21.

We have been successfully delivering these requirements in the first two years of the cycle, and had been forecasting to continue to do so through to March 2021, prior to CV-19.

11,500 branches

Our network has remained stable in overall size as set below and consistently above 11,500



In April 2020, as lockdown and vulnerability concerns hit, branch numbers dropped to 10,987, with 9,675 full branches and 1,312 outreach locations open. However, a number of Postmasters are elderly and vulnerable who were shielding and needed to remain closed at this time. At the end of June, this recovered to 11,172. A waiver for CV-19 closures is in place to 30 September with extension options.

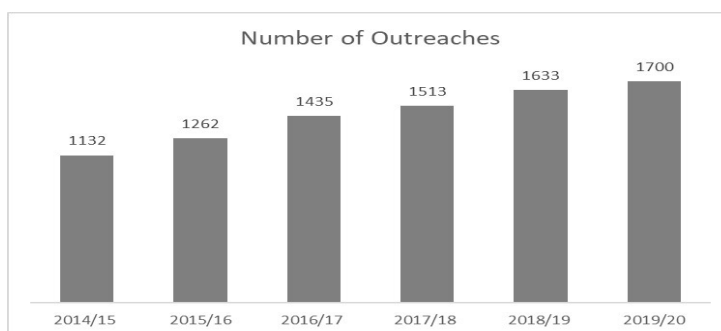


Access criteria

The network has consistently maintained the national access criteria. At March 2020, this was as follows:

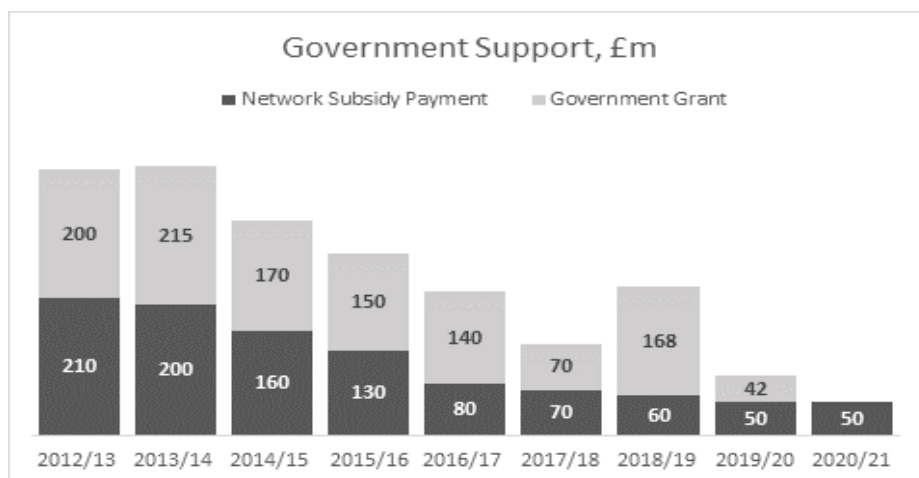
Criteria	Total Population within 3 miles	Total Population within 1 mile	Deprived Urban Population within 1 mile	Urban Population within 1 mile	Rural Population within 3 miles	Postcode Districts less than 95% Population within 6 miles
Target	99%	90%	99%	95%	95%	0
Performance	99.7%	92.7%	99.4%	98.3%	98.7%	7

We do note however, that the number of part-time outreach branches has grown, reflecting limited customer demand and retailer appetite in specific locations. This is expected to accelerate if we are managing the same inflexible definition of a Post Office and SGEI requirements. With greater flexibility we may be able to reduce the reliance on unprofitable, one-size-fits-all outreach formats while maintaining protection for vulnerable customers and increasing opportunities for businesses.



Reducing funding

The goal of reducing funding requirements over time also continues to be met, with total funding for the current funding cycle (18/19 to 20/21) being maintained at [REDACTED], 58% of the previous three-year funding of [REDACTED]





This can also be demonstrated as follows:

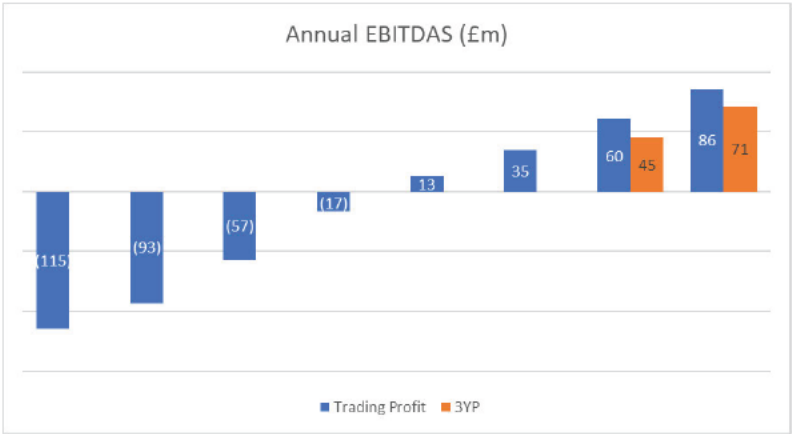
Government Funding (£m)	2004-2018	2018-2021
Investment Funding	1,800	210
Network Subsidy	1,581	160
Equity		
Total Funding	3,381	370
Average per annum	241	123

Rural branches

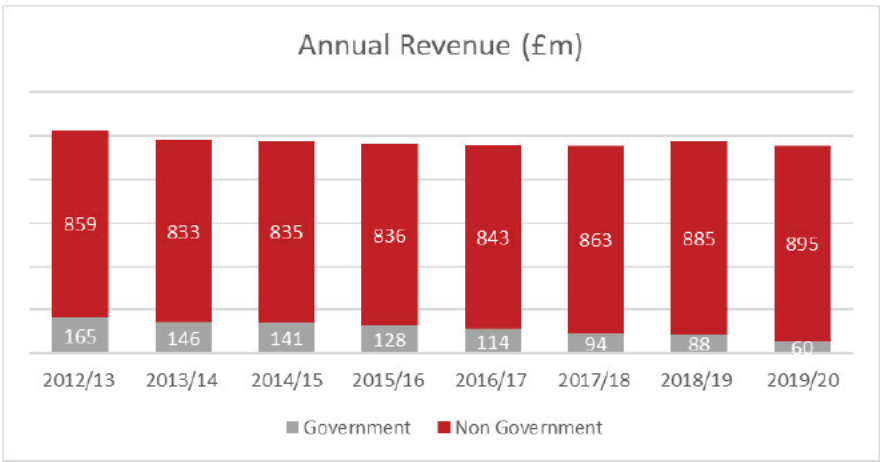
While the 3,000 rural branches was a 2017 Conservative Party manifesto commitment not tied to a specific group of branches, we have maintained the rural network throughout.

Commercial Progress

We were on track to delivering █████ in 2020-21, having delivered a trading profit of █████ in 2019-20, including accounting policy changes of █████

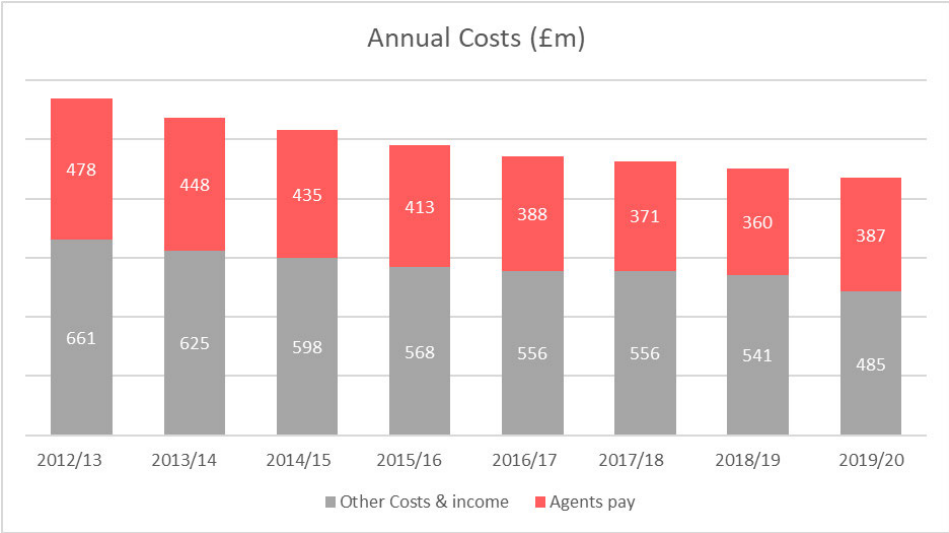


This has been accomplished by continuing to offset the consistent decline in Government revenues with commercial growth, as set out below.



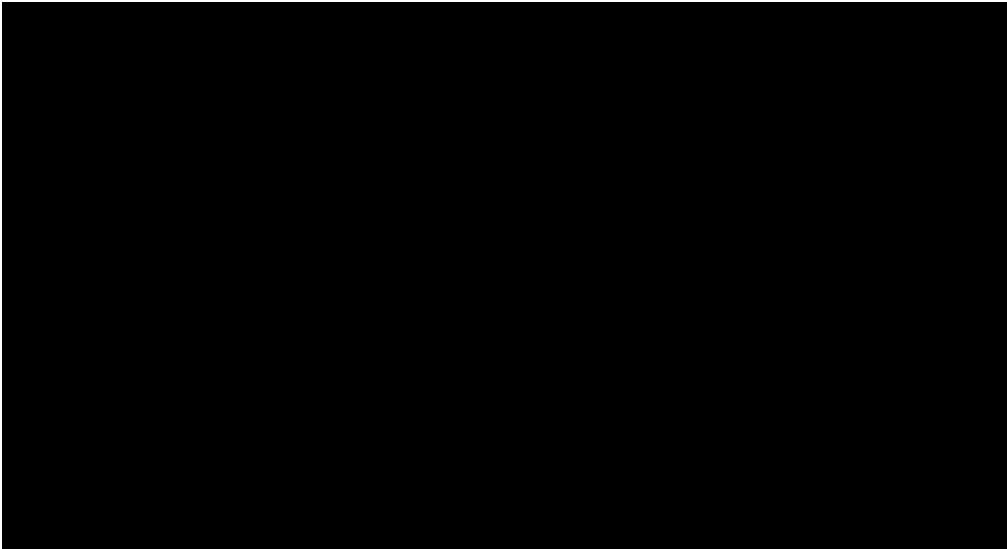


Against the backdrop of these relatively static revenues, profit improvement has come from a more efficient cost base. The improvement in 2019-20 was especially pleasing as within our overall cost savings, we deliberately reversed the long-term decline in Postmaster pay:



In January, we were discussing a trading profit for 2020-21 with the Board of [REDACTED]. This has been shattered by CV-19, with revenue expected to fall by some [REDACTED]. In the plan approved by the Board in May, this was partly offset by additional cost reductions, projecting a trading profit of [REDACTED] for the year. We have agreed to revise this forecast in September as the impact of CV-19 becomes clearer.

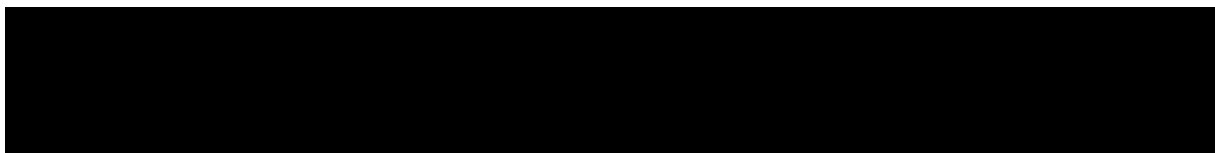
Revenue had been developing more strongly than in the 3YP and trading profit exceeded 3YP until CV-19. Of the [REDACTED] profit reduction versus the 3YP for 2020-21, half relates to the collapse of profitability in our FX business, FRES with a total profit impact on travel of c. [REDACTED]





Even with the impact of CV-19, Postmaster remuneration is forecast to be [REDACTED] higher than assumed in the 3YP and we have also invested in more people in the field visiting branches ([REDACTED]) and in 2019-20 back office work to support GLO recommendations ([REDACTED] of operating costs). Despite this, we have worked hard to decrease our running costs and, as such, our estimated costs for the year are some [REDACTED] lower in 3YP.

In the last 5 years we have reduced BAU FTE from some 8,000 to around 3,500 today, and our benchmarking is targeting an outcome of c. 1,600-1,700 FTE in the next phase. This is subject to the availability of investment funding for redundancies and technology investments.



Investments played a significant part in the 3YP discussions, and we originally planned for a cash spend of [REDACTED] (excluding litigation), which was supported by [REDACTED] of investment grant alongside the reinvestment of our own profits. Including brought forward spend from 2017/18 ([REDACTED], non-cash spend [REDACTED] the equivalent total investment spend envelope was [REDACTED] excluding litigation.

We report change spend monthly to UKGI. Our forecast change spend for the 3YP period is some [REDACTED] higher, mainly due to greater investment in IT and in cost reductions. However, we are maintaining headroom and the costs of in-year redundancies and DMB closures have not been finalised – with the timing and DMB activity being an ongoing conversation with Government. Benefits of [REDACTED] are forecast to miss by [REDACTED] of which [REDACTED] relates to the agreement with the Bank of Ireland, which in a time of very low interest rates and high street competition has not delivered its objectives. A full summary is set out in Appendix 1.

Cash and borrowing

During the 3YP period, we have operated within our financial arrangements, paying for the GLO from cash efficiencies. However, our security headroom has been under pressure from the [REDACTED] of GLO spend, that was not substantively included in the forecast, and then the reduction in non-Santander liabilities from CV-19, which peaked at an impact of c. [REDACTED] in early April. This has partly reversed with headroom up from marginal levels to [REDACTED] at end June. We are forecasting and managing change spend to retain positive headroom. Although headroom has not been breached we had a waiver in place to end June and if a change occurs, such as a second, national lockdown, the Minister for Postal Affairs has indicated that we can apply for a further waiver.

Funding availability from Bank of England (BoE) had fallen in line with cash withdrawals being sent out from our cash centres, before being given extra support during CV-19. We are in discussions with BoE on whether this remains the right mechanism given our importance to cash infrastructure nationally and rising deposit levels. BoE is undertaking a review with a proposal promised in 2020.



Learnings

We are learning as we go, recognising that we have made mistakes. Key areas are as follows:

- Just before the 3YP period, we implemented SAP Success Factors to support our people administration. This was a very poorly implemented project that continues to cause us issues today. We have substantially strengthened our controls around change management including stronger governance, particularly earlier in the process. A recent Internal Audit summary demonstrated improvement in change management.
- We under-estimated the cost of fixing the business, notably in IT, spending more on projects that deliver resilience but not always improved effectiveness or lower cost. [REDACTED] was, with the benefit of hindsight, spent on IT where cheaper technologies became available later. We have a fundamental IT task to deliver around Horizon and are planning it with great caution and care.
- Our approach to the GLO has been extremely unhelpful. We defended the claims, believing we were both right and likely to win. We lost comprehensively. We have embraced the Judge's comments, embarking on material cultural and operational change which will be of enduring benefit. This has cost us [REDACTED] more than plan with more to come. However, we believe that the true incremental cost of defending is some [REDACTED] and the material costs of settlement, new claimants and criminal case reviews are necessary, unavoidable and primarily relate to the period under RMG control. We have learnt the litigation lessons and in the upcoming workers' rights case have been ensuring that the full Board reviews the advice regularly, that the advice is more diverse and the evidence better tested.
- We acknowledged in 2019 that we had tilted the commercial balance of Post Office away from Postmasters. Following a review and consultation, higher pay was brought in and higher banking earnings on deposits were accelerated. We invested in the field teams and are continuously improving back office support. Recognising that POL's job is to serve Postmasters and help them thrive is a fundamental cultural change which is underway but incomplete.

Commercial Sustainability

The longer term goal for POL has, since independence, been commercial sustainability. We have defined that as POL continually generating enough cash from commercial trading that it can pay for its own investments without needing further financial support from Government. This is a fantastic goal: other Post Offices are not separated from their Royal Mail equivalents and many still require state support. Trading profit, which excludes Government support, was our most incentivised measure from 2015-20 to demonstrate progress towards that goal.

In the discussion paper preceding funding in 2017, we indicated that we would be making trading profits after 2020-21 that at c. [REDACTED] a year, should be sufficient for commercial sustainability.

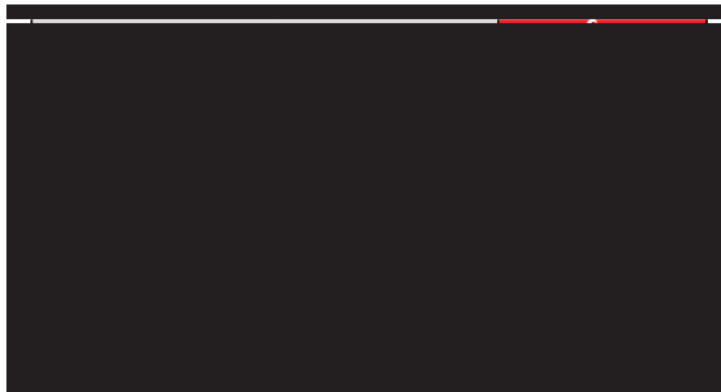
The paper requested [REDACTED] of loan funding to accelerate change and noted a discussion about swapping that for three more years of network subsidy totalling [REDACTED]. Neither was forthcoming, so it is perhaps logical that further funding is required and our original proposal in February was [REDACTED]

In addition, we have, funded [REDACTED] of unbudgeted GLO spend while at the same time, we have been hit by [REDACTED] of net CV-19 cash impacts including the impact on trading and the deterioration in headroom.



We are proud of managing both of these within our current headroom, which show how seriously we had improved trading profit and made cash management more efficient.

We believe that the [REDACTED] requested is therefore more consistent that might initially appear to be the case:



4.2

We also acknowledge that we did not sufficiently consider two further factors:

Firstly, the cost of replacing IT, not to reduce costs but to make the business resilient and sustainable, is greater than we thought. The Fujitsu contract for Horizon ends in 2023 and we had contracted for the right to buy the underlying IP – we knew this was likely to be required during the next funding period – but the full costs of replacement are likely to be very high, much higher than we would have assumed.

Secondly, our 3YP projected evolution towards a steady state, where the major changes had been completed and problems resolved and we would be running in “BAU”. Given the tumultuous changes arising from long-term low interest rates, ring-fenced banks, tightening regulation and now CV-19, we now recognise that there will never be steady BAU for a business with as many different lines of products and services as Post Office. Change will never stop. As a result, we see a sustainable level of trading profit being higher – [REDACTED] rather than [REDACTED].

We do believe that this is achievable, but no one pretends it is without risk: the delivery agenda is acute and the world keeps evolving. Some elements of cost control to achieve sustainability also require political support, notably closing DMBs and redundancy programmes.

UKGI has asked us whether the PO is “investible”. If by that, we mean either being net cash positive across the next three years or alternatively that we could market this support as a commercial proposition to, say, a Private Equity company, the answer is clearly “no”.

We talk in the alternative approaches about what you would have to do if there was no funding – and it is similar to what you would have to do to make this more of a commercial investment: sell assets; change employees’ terms and conditions in an aggressive, push process; reduce the size of the network; outsource supply chain on the lower terms; shut the DMBs without like-for-like replacement and so on.

That is doable and it would certainly reduce funding. We still do not believe it would be investible as a purely commercial vehicle because in the long term – 5 to 10 years – it is not clear of the scale of residual demand.



More importantly, we do not believe that we have ever been tasked to creating an investible business – we have been and we believe still are tasked with creating a network that is available to all, stable or growing and providing free access to cash and parcels across the UK as an important cornerstone of the levelling up agenda. We can deliver that, and we have a good chance based on the commercial progress to date and our plans, of not asking for funding for 2024-27.

3. What does success look like?

We aim to maintain national access to the network for customers while reducing Government financial support and driving to a delayed commercial sustainability. Our detailed work in this area has focused us on three priorities, which we believe are shared by BEIS as our shareholder and primary funder:

- providing easy, nationwide, physical and digital access to customers for cash, parcels and other key services;
- supporting Postmasters to thrive through a combination of training, support, simplification and pay; and
- driving the business to be self-supporting through investment, cost reduction and commercial progress.

We can deliver:

- A national infrastructure of more than 12,000 branches, distributed nationwide to meet our current access criteria, which supports the growth of small businesses across the country, especially in areas that need it most.
- A different relationship with Postmasters, served and enabled by POL, helping to support and throw their small businesses.
- Free national access for consumers and small businesses and SMEs to cash, Mails and bill payments.
- Support, care and commercial opportunity for vulnerable and marginalised people and communities, critical to the levelling up agenda, guaranteeing support for rural and urban deprived areas.
- A Post Office structure that can invest sufficiently in the business from its profits, enabling some profit sharing with both Government and Postmasters.
- Fewer and shorter car journeys than any alternative service provision, contributing to the Government's ambition to reach net zero carbon emissions by 2050.

We have been asked to comment on whether 11,500 "matters" and if so why. We do not think there is any particular magic to 11,500 – our understanding is that it was broadly the size of the network at the point at which the target was set. In other words, the Government of the day wanted no more net closures.

Within the 11,500 locations there are around 2,000 with less than 50 transactions per week, accounting for little over 1% of our total business.

Vulnerability protections are encapsulated in the access criteria, which could be met with fewer branches, probably around 9,500 (provided they are in the right locations).

We informally discussed with UKGI and BEIS reducing the number and their sense was that the savings would not justify the political capital spent on a round of net closures. We have sympathy with this and are proposing retaining the 11,500 in future and being facilitated to increase the network over time. What costs POL too much is being close to the target so that



every closing PO has to be replaced immediately whether the replacement is of the right quality or not and we are constantly anxious about a failure of a multiple partner. What does matter deeply is that we retain our local, physical presence and the connection with our customers.

We recognise that the change in definition that we are after will make people anxious about our commitments and whether we are seeking too much "freedom".

We want to reassure the Government that this is not our intention. For clarity:

- You have signalled the current political sensitivity around closing our Directly Managed (Crown) Branches and the impact this will have on our overall 11,500 target. We understand this current sensitivity and undertake not to close DMBs without creating a new franchised post office location, without a BEIS discussion. At the same time, we wish to maintain an open dialog with you about our overall Post Office Network vision and the place DMBs have in that vision. In any specific DMB case, we will always follow a public consultation and never diminish the capacity for the local area to meet local demand. In few cases we may find through the consultation process that surrounding Post Offices are sufficient to absorb the customer demand. History has indicated that this will not usually be the case, so we will plan to increase local capacity to meet customer demand from a DMB.

We will seek to solve "trapped" Postmasters who wish to retire but no replacement Postmaster came forward under Network Transformation: the rules of that programme prevented compensation without replacement, making retirement unaffordable. Over the next 3 years we will make modest contributions to enable retirements and appropriate replacements where required. New formats may make this easier but in some cases there may not be direct replacements when the branch is in the wrong place and access criteria are already protected.

- Under our proposed definition, Mails will be the enabling SGEI. Our bill payments are provided from [25,000] outlets including Payzone and should not therefore be of concern.
- The revised definition allows us to open additional urban branches that we want for our non-exclusive Mails and Parcels services, enabling us to compete effectively in these locations where convenience is paramount for customers. These will not be commercially viable if we have to have cash – especially as many urban areas are well and competitively supplied by the Banks.
- We will maintain our specific commitments to accessibility in rural and urban deprived areas. We will provide POCA to customers under our contract with DWP. We will need the Government to continue to work with us to enable a full migration to bank accounts, with our support, as soon as possible: on low interest rates and reducing accounts we lose money on POCA and those losses could grow.
- For assurance, we will work with you to agree targets and limits around cash provision and the rural and urban deprived networks. However, it is important that we can negotiate with the Banks on BF3 pricing without them believing that we have to provide cash nationally whether they pay for it or not. The obligation to sustainably fund replacement networks when they close their own should be retained by the Banks who should then pay partners such as us to deliver services to their customers.

The obligation should be retained by the Banks who should then pay us to deliver it.

We believe that these are the priorities for Government. If different priorities emerge in these discussions, our plans will change. To get there we will require both financial investment and changes to the rules we operate under, while protecting Government's control.



We must also reach ongoing and mutually satisfactory arrangements with the commercial partners whose products we sell or give away: the major banks, Royal Mail Group, the energy companies and others.

4. How will we deliver success?

4.2

Delivering success requires that we improve our delivery for customers, our support for Postmasters, our attractiveness for clients and our own cost reductions. This will require us to deliver the following critical changes. One of the complexities of agreeing 3-4 year forward funding for an organisation like Post Office is that we are constantly having to adjust our plans for changes in the economy, competition, technology and customer need. We commit change spend only when we have to and usually in small increments. Our plans cannot all be complete at any point and will evolve.

1. Replacing our agreement with RMG while expanding into the wider UK parcels market. We expect to reach agreement with RMG this year. RMG has already volunteered that the next agreement must be non-exclusive. Market analysis shows opportunity in the Pick-Up-And-Drop-Off (PUDO) market, serving other carriers. We may want to sell more products online.
2. Delivering a 3rd Banking Framework which remains highly profitable while reassuring the banks that they can continue to outsource to us. We imposed a very large price rise on the banks as part of BF2, which runs from January 2020 to December 2023. We are already collecting feedback across the cash market on the future relationship. We will define this over the next six months and seek to negotiate BF3 in the first half of 2021. We envisage significant change, reassuring the banks that they can continue to move volume to us. Clear and public Government support will make a difference.
3. Re-building our broader travel business post CV-19.
4. Reducing the costs and management support for other businesses including Mortgages, Savings, Identity, Telco and Insurance. This will need further changes agreed in our relationship with the Bank of Ireland.
5. Reducing our cost base by a further 15% (versus 19/20) and our headcount to 1,600-1,700. We had 7,787 FTE post-independence and 3,266 today. Of the remaining employees some 600 will be supporting cash logistics, although we are in discussions, which we expect to complete in 2021, about outsourcing and/or membership of a cash utility.
6. Closing all owned branches to reduce the cost to serve. While we recognise the political sensitivities, especially when we are below 11,500 locations, we continue to believe it is the right thing to move to a fully franchised model and away from complex and expensive working practices and high rental costs. We expect to be out of DMBs by Autumn 2021, although in discussion we are proposing to continue franchising into new branches unless there is a very clearly sufficient local supply.
7. Delivering a new relationship with Postmasters where we are simpler and cheaper to deal with, are far more supportive and engage in a mutually beneficial, commercial partnership, enabled by technology. Alignment with Postmasters is critical and improving but fragile. We are therefore proposing that any financial return should be shared between a dividend to BEIS and a profit share with Postmasters: we have always advised that a dividend on its own would not be politically workable.
8. Increasing automation in the network without funding kit ourselves.
9. Replacing the Horizon system and its Fujitsu support arrangement by 2023 or as soon as possible thereafter. This is complex, controversial, risky and will be extremely expensive. We are working through the technical options now.
10. Replace Postmaster contracts with modern versions, consistent with the GLO judgments and ensuring that Postmasters cannot be confused with workers or employees.



11.A network that we could grow above 12,000 branches for the first time in many years as we open substantially more Mails and Bill Pay branches in City Centres that are well served for cash and enabling no DMBs, fewer outreaches and fewer legacy branches that are unable to operate as limited companies (discussed later in the investments section).

We are focusing on cash and headroom and at a high level we would summarise our draft plan as follows:

4.2

Note that cashflows from operations is driven by, but does not exactly mirror, EBITDAS. This is predominantly due to the recognition of certain costs and revenues being different to their cashflows as in line with IFRS accounting standards (e.g. Telephony customer acquisition costs are paid for at the start of the contract, but spread over the life of the customer revenues).



We have also noted in the above table the possible outflows of a dividend (on the Equity Injection/Dividend) line. This is illustrative and would obviously need to be agreed as part of these discussions, however, there this demonstrates that there would be room for such a projected payment whilst still maintaining a Security Headroom above [REDACTED]. We assume that this would combine a return to BEIS and matching Postmaster profit share.

4.2

With revenue increases being driven by a recovery across all areas from CV-19 in 21/22, followed by growth in our Mails PUDO offerings as well as further Banking market share expansion.

Our Telephony business (if not sold) will likely grow as well through customer acquisition and further moves to Fibre. However, this requires investment (in customer acquisition, Fibre routers and the [REDACTED] cost of transitioning to 2 new service providers based on our recent RFP) as well as increasing cost of sales. We have made a strategic decision to sell the business but in the current markets, price, value-for-money and timing is deeply uncertain. We have therefore retain the business in this plan but describe the potential net impact of a sale below.

PO Money is expected to remain fairly static, with low interest rates likely to stay low for the duration of the 4YP, and the Travel Money market making slow recovery and Postal Orders continuing to decline.



Insurance revenues should grow over the 4YP as our investments in Home Insurance bear fruit and the travel market starts to open up again.

Although a slowly declining market overall, we will continue to target further market share in the Bill Payments space, stabilising revenues after a post CV-19 recovery. However, this is a risk area if we see a systemic shift online.

Trading Staff Costs will continue to decrease as we further franchise our DMB estate with Overheads staff also decreasing as we push towards our targeted end state of around 1,600-1,700 FTE. If there is a viable opportunity to outsource cash logistics, further FTE reductions will follow. However, this may prove unlikely and net savings would have to be shared with the banks.

Non-Staff costs will increase through a combination of several factors:

- Increased revenues will drive up the non-staff costs that support them (such as transaction fees and postage).
- As we drive towards 1,600-1,700 FTE we will be required to automate and digitise further, with a corresponding increase in non-staff costs.
- Necessary refreshes of our IT systems (such as Horizon replacement, EUC replacement) will also increase our non-staff costs in this area.

Our proposed investment profile is as follows. However, we know that we will not create detailed business cases or approve spend for some time. Most of our change spend is managed in relatively small increments close to the time, giving us better control. It does mean that there is a lot of uncertainty in looking ahead 3-4 years:

The two largest pillars of our investment are the overhaul of the Horizon Branch accounting system and investment in the shape of the Network, however, we are also signposting a number of important areas we feel should be invested in.

Within IT we have included [REDACTED] of investments for delivery of a new **Strategic Platform Modernisation (SPM)** programme to improve the quality, functionality and cost of our branch IT platform, currently Horizon. The intent is to ultimately deliver a new, modern, next-generation core IT platform to enable the digital transformation of our branch and on-line operations; The sooner we invest in SPM, the sooner we will be able to exit Horizon. The first part of this work, currently being undertaken, is to identify the commercial and Fujitsu relationship next steps given the urgency of current and upcoming Horizon and supplier challenges. The exact plan, financial payback and technical architecture is not known at this time.

The SPM programme will constitute one of the biggest transformational activities for Post Office in recent years. The current Horizon trading platform is now over 20 years old and doesn't meet the need of a modern Post Office. Our postmasters tell us they require greater simplicity, and flexibility in format. Our business needs to be able to quickly assess, design and deploy new customer solutions. To enable these fundamental requirements, we must have a system



capable of doing so - the trading platform for our future. The projected costs within the 4-year plan represent an estimate of how much a programme of this magnitude could cost, but given the embryonic nature of the programme, the estimates given are clearly high level and should be considered to have large uncertainty bounds.

Captured within the costs is an allocation for a problematic and protracted process to resolve live Fujitsu contractual issues, which will contribute to the financial headroom for SPM. We expect Fujitsu to be exceptionally aggressive in these negotiations. Any influence Government can bring to bear as a fellow customer may help.

Overall, based on the information available, an estimate has been created for the costs to deliver SPM, including the required work to sustain Horizon in the interim. This estimate is high level and requires considerable further work. This will be completed during the early phases of the SPM programme (signposted for 20/21) to provide more clarity and certainty on potential costs, but also to allow the right business decisions to be made about direction and priority. We are currently flagging an illustrative breakdown over 2020/21–2023/24 of:

- FJ Negotiations, incl. exit options - [REDACTED] (potential for [REDACTED] cost avoidance)
- OJEU Process, including transition and dual run - [REDACTED]
- SPM Delivery - [REDACTED], including dual run, training, deployment, software licences etc.

The sustainability of our brand and business is built upon the **Post Office network**: it is the foundation of our commercial and social purpose. And the network is our postmasters. Without a proposition which works for them we cannot sustain the nationwide scale and service levels needed to increase convenience for customers, drive growth in priority markets such as PUDO, and support communities with access to cash and other essential services. We are therefore flagging this as a key investment area for the 4YP, earmarking [REDACTED] over the cycle (under "Transforming Postmaster Relationships per investment table").

The reality is that our current branch propositions are not attracting and retaining the great retailers we need to deliver our strategy. As a result we are falling behind our competitors in urban areas while spending [REDACTED] each year just managing network churn, with increasing numbers of outreach required to plug the gap to higher numbers of branches, which are generally loss making and provide a poorer customer experience.

The feedback from retailers is clear: they want control over the products they offer their customers and greater flexibility around how they integrate a post office into their main business, including simpler options which can be run without the need for dedicated staff and counters. Covid-19 has made these changes all the more urgent.

Balancing our customer & client needs, shareholder priorities and commercial sustainability, we envisage a future network with the following key characteristics:

- Still meeting the six access criteria to safeguard access to communities across the UK, with the 11.5k target largely an irrelevance because we have expanded beyond that number.
- A shift away from c2k sub-optimal, underutilised outlets to new branches located in great retailers & community hubs in areas of higher customer demand.
- Greater flexibility in how the product offering & operating model for each branch is tailored to the needs of the postmaster and the local market, but with every branch still providing access to core mails and – if required by the community and underpinned by the right commercial arrangements with the banks - access to cash & banking services.



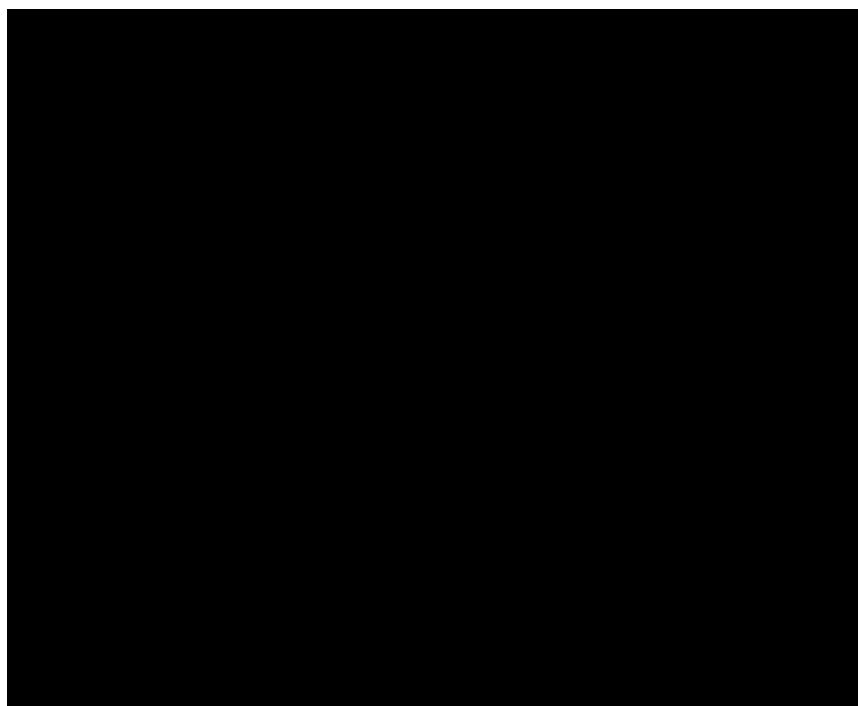
- A queue of prospective postmasters & Multiples wanting to take on a branch or expand their business with us, ensuring we have great locations and hosts to meet customer demand.
- We will fund the resolution of “trapped” branches that failed to be completed during Network Transformation due to lack of alternative supply.

The investment we are signposting supports delivery of the above through delivering outcomes in three areas:

1. A more flexible formats range which gives postmasters greater choice over the services they offer and a wider range of options around how the post office can be integrated with their own retail operation, including through new light-touch options which do not require dedicated staffing or complex training.
2. Modern franchise arrangements which match external best practice to support our postmasters to grow their business. This will be underpinned by a tiered operational model with different levels of account management, planning, training and marketing support will allow both sides to reduce costs and increase sales.
3. Stronger strategic partnerships with a portfolio of great retailers that are conveniently located where our customers live, work and shop. These might be traditional players such as Co-op or new hosts such as Boots – and will also include the upgrading of suitable Payzone partners as part of a more coherent approach to managing our total network.

In order to deploy the new formats at scale, we will need to reframe the definition of a post office with BEIS, moving from the rigid requirement to include all SGEI services to a more flexible approach with access to parcels services as the core anchor in all branches. Ultimately this flexibility will strengthen our proposition to customers and communities in urban and rural communities, including start-ups and small businesses, ensuring we can attract and retain great postmasters running thriving local businesses.

While alternative approaches exist, our plans assume the following:





We can reduce costs by reducing branch numbers. However, managing the network close to a contracted number, as we have been since independence is expensive and leads to sub-optimal decisions. There is no magic in 11,500 but a smaller number requires politically unpalatable branch closures in rural locations that are not required to meet access criteria you can tell us. Our need is to have clear blue water between us and the target.

Alongside these strategic investments, we have also included a net [REDACTED] to finish the franchising of our DMB business, which has been a Board and UKGI priority, and something we have accelerated over the current 3YP. This enables a significant shift in the way we work with far fewer employees.

We would like to invest further in our Mails products, particularly in PUDO., We believe we can increase revenues, create a more relevant product for our customers, deliver an easier solution for our postmasters, and most importantly provide significant access points for small businesses participating in e-commerce across the country, contributing to the economic recovery required after Covid-19.

We have earmarked a material amount of Telco investment, which is largely to support a mandatory RFP process (and to a lesser degree router investment for our customers moving to fibre). However, this figure could be reduced depending on the timing of any sale that might be made of this business.

We want to invest in our Banking & ATM offerings, with [REDACTED] earmarked for building a more profitable and sustainable ATM offering, which is not so beholden to BOI, alongside investment in Cash Automation (e.g. teller cash recycling machines, Deposit ATMs) to improve our cash handling efficiency and improve the Postmaster experience around cash.

The large reductions in administrative staff costs that we have already flagged will require investment spend both in redundancy costs and also the build of enablers (e.g. process automation), with a current view of [REDACTED] over the 4YP period, although we are currently targeting to front load this spend to deliver the benefits as soon as possible.

From a cashflow point of view, we expect borrowing to develop as follows, with Security Headroom restabilising above [REDACTED] in 21/22 tough the net effect of the Equity injection and investment spend:



4.2



With Security Headroom being driven by the following elements:



The full 4YP is attached as a separate document, technically Appendix A.



5. What support do we need from Government?

To deliver, we need the following support from Government. This is significant and we understand that there have never been more claims on the public purse. However, we also believe that the return will be worthwhile and indeed critical to other political objectives:

Network definition

We have debated the right balance of rules to ensure that we can flexibly respond to customer needs while protecting access for the vulnerable. While the 11,500 commitment was arbitrary and not justified by customer need, we recognise that the political difficulty of changing it may be greater than the benefit. The real cost of maintaining the number is because we are so close to 11,500, every churning location must be replaced immediately, regardless of the circumstances.

To ensure we have the flexibility we need to meet both postmaster and customer requirements we propose using the existing Funding Agreement definition that a branch is “any post office counter or means of transacting some or all SGEI Services” – rather than the more rigid definition that a branch must provide all SGEIs. All post office branches will include the mails SGEI, which is defined in the current Entrustment Letter is “the provision of access to postal services which the universal service provider (RMG) is required to provide by Ofcom” – which specifically are 1st & 2nd class stamps & labels; Signed For; Special Delivery by 1pm; and International Air & Surface mail (with no weight specifications). In some of the additional branches we propose to open in ‘whitespace’ locations this Mails SGEI will be fulfilled as part of our broader PUDO propositions, giving customers a convenient solution to drop-off parcels they have purchased online. These new formats will also include bill payments and other simple products, but not necessarily providing cash, which is well supported and expensive for retailers to run. This change would enable us to grow the network and improve its quality as set out in the previous section. Rural, urban deprived services and the access criteria that protect vulnerable and left-behind customers will be rigorously maintained.

Funding - Equity

We are asking for [REDACTED] of additional funding in the form of equity. This is slightly less than in the previous funding period but materially more than expected as a result of CV-19 and Litigation self-funding. We have included above a reconciliation explaining the need for more funding. Section 4 sets out the gap between the need to invest and the cash we can generate.

We have requested the funding as equity because it helps to resolve our issues with net assets and postpone our issue with security headroom (below). We initially suggested a one-off, up-front equity injection to reduce costs and complexity. This has been amended to split between [REDACTED] up front and [REDACTED] after a year in response to suggestions from BEIS and UKGI.

We talk below about the strategic decision and the uncertainties around a disposal of our Telco business. We are happy to work with you on some formula to allow a repayment of equity in the event that the Telco disposal net of lost income transforms our outcomes.



Funding - Litigation

In addition, it is clear that the ongoing cost of the post-GLO work cannot be borne by POL within its current arrangements. The costs of defending the GLO were rightly funded by us. Nonetheless, the settlement of the civil claim and secondary claims would still have had to be paid to bring these long-standing complaints to an end, and the costs relating to criminal appeals still incurred, recognising that they relate primarily to actions, the vast majority of which (including decisions to prosecute and the conduct of those prosecutions) took place before POL became an independent business.

A separate paper has been shared, setting out the proposal to ring-fence and preferably separate the conduct of the litigation from POL to ensure its independence. In that we recommend that the independent operation has oversight over our dealings with Postmasters.

The likely legal and associated programme costs are [REDACTED] over the funding period and there are likely to be further claims which could conceivably cost [REDACTED] (recognising that this range is subject to a number of qualifications and assumptions given that the claims have not yet been made).

In addition, as flagged in February, we are facing litigation in the employment tribunal that 120 Postmasters are workers. If they are successful this could give rise to claims from postmasters across the network that they are entitled to various worker rights, such as pensions, sick pay and holiday pay. Our legal advice to date is positive but that the claim is not without considerable risk. If we lose, it is hard to see how all Postmasters could be workers, for example those who are large limited companies, who manage multiple outlets, or who provide no personal service. A segment of our postmasters are higher risk than others.

Nonetheless, we had strong advice that we would win the GLO and we did not. At its extreme, if all Postmasters were considered workers, it would cost POL [REDACTED] per annum and a back sum of [REDACTED] for historical claims, although a more conservative estimate is costs of [REDACTED] per annum and back pay sum of [REDACTED] for the higher risk branches. It is important to note that these figures are only estimates at this stage. There is no precedent for translating postmasters' complex fee structures and working arrangement (which include separate retail and non-post office business rates) into worker rights such as holiday pay and wages.

This cannot be funded by the business, whether it arises from the tribunal case, or indeed otherwise in the future from legal re-interpretation or new law. In addition, we suspect that many Postmasters would not want worker status and any enforced change would seriously jeopardise the current business model. We will continue to defend the case and to explore and implement strategies to mitigate the risk inherent in the network, including only engaging postmasters through genuine Limited Companies, improving the way we engage with postmasters, improving remuneration and, in some cases, the opportunity for postmasters to take time away from branches.

Borrowing

The definition of Security Headroom is no longer consistent with the way the modern business works. Every time a fixed asset is purchased, headroom is reduced. Thanks to the cost of the litigation and the contraction from CV-19, we no longer have the headroom to manage this ongoing deterioration and without change will miss the headroom target in 2021-22 and 2022-23.



We have been working with BEIS to exclude Santander's historical, matching security and are expecting that this would be followed by a change to exclude their liability from BEIS's calculation as well, improving headroom by c. [REDACTED] at current levels.

In addition, to achieve a balance, we believe that the value of our fixed assets in our audited accounts should be added to the calculation. The argument has been made that the nature of our fixed assets would be hard to dispose of in the open market. This may be theoretically correct but even the cash can only revert to Government if Post Offices are completely and permanently closed. Better for the calculation to reflect the money we spend and become sustainable.

It is also worth noting that in early lockdown, headroom fell by over [REDACTED] in four weeks so some capacity is appropriate.

We are not proposing any increase in borrowing limits on the BEIS facility, so we will continue to improve cash efficiency. However, if our Bank of England facility is reduced, we will need matching funding from either BEIS or a commercial lender. The BoE is not indicating this and has been supportive, but the rules will have to change to maintain the current facility.

Other support

BEIS and HMT have been consistently generous financial supporters: the business was essentially bankrupt on independence and your support saved Post Offices. However, commercial support across Government has been affected by departmental agendas and an understandable bias to outsourcing.

It is clear from our conversations with the Banks that our task in landing BF3 will be easier if all Government agencies and regulators reinforce the importance of PO as a channel for cash. Across Government, we could also be championed as the most trusted provider of digital identity, showing Government leading the way and securing benefit from its commercial development. If that took off or we ended up in a more monopolistic situation, we would share profits with HMG.

BEIS will remain in control of POL after a funding decision is reached, and we propose the continuation of the following controls:

- BEIS approves all annual and three-year plans. Without that approval, annual funding will not be provided.
- BEIS approves directors' remuneration and incentive targets.
- The business operates a detailed and comprehensive change process to approve individual business cases that must be triggered before spending is incurred.
- A plan to fund an investment does not constitute permission to spend money.
- The Board, with BEIS representation, approves all investments with a lifetime cost of more than [REDACTED]. Investments of more than [REDACTED] together with specific transactions such as acquiring and selling businesses must be individually approved by BEIS.
- If an investment looks like it will miss its ROI target by more than 10% it must be reviewed and re-approved by the original approving body, including the Board.
- Monthly tracking and oversight are undertaken across the change portfolio and frequent Post Investment Reviews are undertaken.
- The monthly results of the business are reviewed by the Board and separately by UKGI.



We appreciate your counsel, support, and challenge across BEIS and UKGI and often HMT. We could achieve quicker and better alignment with a streamlined governance structure with single, combined, monthly meetings that would enable HMT, BEIS and UKGI to deliver their objectives more easily.

6. What are the key risks?

In February, we identified key risks including the GLO, the workers' rights claim, security headroom and the size of the Bank of England facility. We have proposed ways in which these risks can be mitigated above. We do not believe we can deliver commercial sustainability within our current rule set.

Otherwise, our ability to move the Horizon branch trading system onto the cloud, replace it for branch "tills", transaction processing and branch accounting by the end of the contract in March 2023 is a complex and concerning issue. We believe that Fujitsu will be largely unsupportive and will seek to monetise their position aggressively even if it risks our ability to trade: as a result they also must exit, although we recognise this could be both expensive and may need more time. Any Government willingness to put pressure on Fujitsu, given their other Government contracts, would be greatly appreciated.

None of our plans assume a second national lockdown and we do not yet know how much of our business will, in the end, return.

We must recruit and retain a constantly improving senior leadership team who can match up to the challenges ahead. This is being made more difficult by the increasing pressure on remuneration and redundancy pay. However, for now, the pressures of CV-19 on the jobs market has reduced the risk.



7. What assurance is being undertaken?

KPMG has provided UKGI with assurance over our forecast models and our 4YP approved by the Board in May. We will support any further work they are asked to undertake to support your assessment of our submission.

In terms of the key strategic challenges, we have had the following governance and third-party support:

Strategy Area	Board Review	3rd Party Support and Assurance

The Board have also been presented with litigation updates on a quarterly basis.

The critical question is how certain you can be that we will deliver a delayed commercial sustainability – or is this just a staging post in an eventual recognition that modern POs always need subsidising?

We do recognise longer term challenges and we believe that the cost of a PO must be substantially reduced through automation before longer term shifts online and away from cash take too much footfall away. However, even post CV-19, we believe this point is some years away and it can be managed.

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Assurance can sensibly be taken from the fact that we are projecting a point of commercial sustainability with a trading profit of c. [REDACTED], some 50% higher than in our earlier assumptions. We also believe that pre-CV-19 delivery of our promises should be reassuring, as was the growing customer sessions and commercial revenue.

In the meantime, the most likely source of failure is that the cost of change grows while earnings are slower to return. In this eventuality, we would sell our Telco business and possibly our Insurance business in order to make the cash available to complete the cost journey set out above. It should provide additional assurance that we can complete the job if we receive the support requested.

8. What happens if we get less funding?

If we got less funding or the shareholder required a more investible outcome, we would:

- Sell both Telco and Insurance and re-invest the money.
- Create new, simple contracts for all employees with significantly reduced terms and conditions and enforce them to the extent possible under law. We would expect and manage our way through industrial action.
- We would close up to 5,000 lossmaking branches, including the 116 DMBs that would not be replaced.
- We would take more risk on regulatory compliance, for example on procurement, to drive the necessary outcomes.

We would materially reprioritise our investment portfolio, slowing down organisational structure changes and commercial development, along with their associated tangible and non-tangible benefits. In the near term, we would focus on delivering against the DMB strategy, contractual change, litigations, BAU and Regulatory outcomes, and little else.

We would seek a 10-year extension with Fujitsu and other IT providers in exchange for lower costs to serve.

Almost inevitably, the lack of investment and support for Postmasters and customers would reduce the stability of the business and make it harder to make the changes required following the GLO. This could lead to a network reduction programme that would damage us publicly, creating a vicious circle with the clients that fund trading such as the banks. We would expect to end at c. 10k branches.

If we got substantial funding but less than requested, we would have to make at least one material intervention. That might be the sale of Telco but as shown, the numbers are not compelling. We would probably have to do a long-term deal with Fujitsu to retain Horizon with high operating costs. This will be problematic for GLO purposes.

On the more extreme scenarios, we would not be a going concern and would again write off fixed assets, creating material net liabilities in the business. This would undermine confidence further from both Postmasters and clients. We would have no financial flexibility to manage shocks which might arise from, say, the GLO or workers' rights claims. These could lead to an urgent choice between filing for insolvency and emergency government support.

In practice, we believe that Government support after 2024 would be much higher than under our proposed plan and would likely return to historical levels unless there was a wholesale abandonment of network requirements.



It is also worth noting that if funding is uncertain and we retain the risk of having net liabilities, the Board will be placed in a very difficult position legally: this is where our responsibilities under the Companies Act and the Insolvency Act differ from those of Government. Net liabilities are an indicator of insolvency as defined by the Insolvency Act. Given such an indicator, we will find it increasingly difficult to sign long-term arrangements, limiting our progress. Within a relatively limited time period we may have to cease some initiatives and make further reductions to employee numbers. Furthermore, our clients may seek additional security, our suppliers additional insurance or accelerated payment, and our credit lines may be experience upwards price pressure. This could also be avoided by Government providing extensive guarantees, but we recognise that these may be more onerous than the funding decision.

9. What are the other funding options aside from Equity?

We have discussed the reasons for further funding, along with the rationale behind an equity injection above, however, there are other funding mechanisms available. Whilst there are numerous options, two of these and their key features would be:

Network Subsidy Payment (NSP) of [REDACTED] alongside an Investment Grant of [REDACTED]

- NSP would be [REDACTED] a year, with potential to be reduced dependent on Network strategy outcomes, although current losses on Network exceed NSP, with proposed strategy likely reducing losses to be broadly in line with NSP.
- Investment Grant of [REDACTED] to be paid on a schedule to be agreed.
- Funding elements already demonstrated to be State Aid compliant, with agreed reporting and governance structures in place.

NSP of [REDACTED] alongside a Loan of [REDACTED]

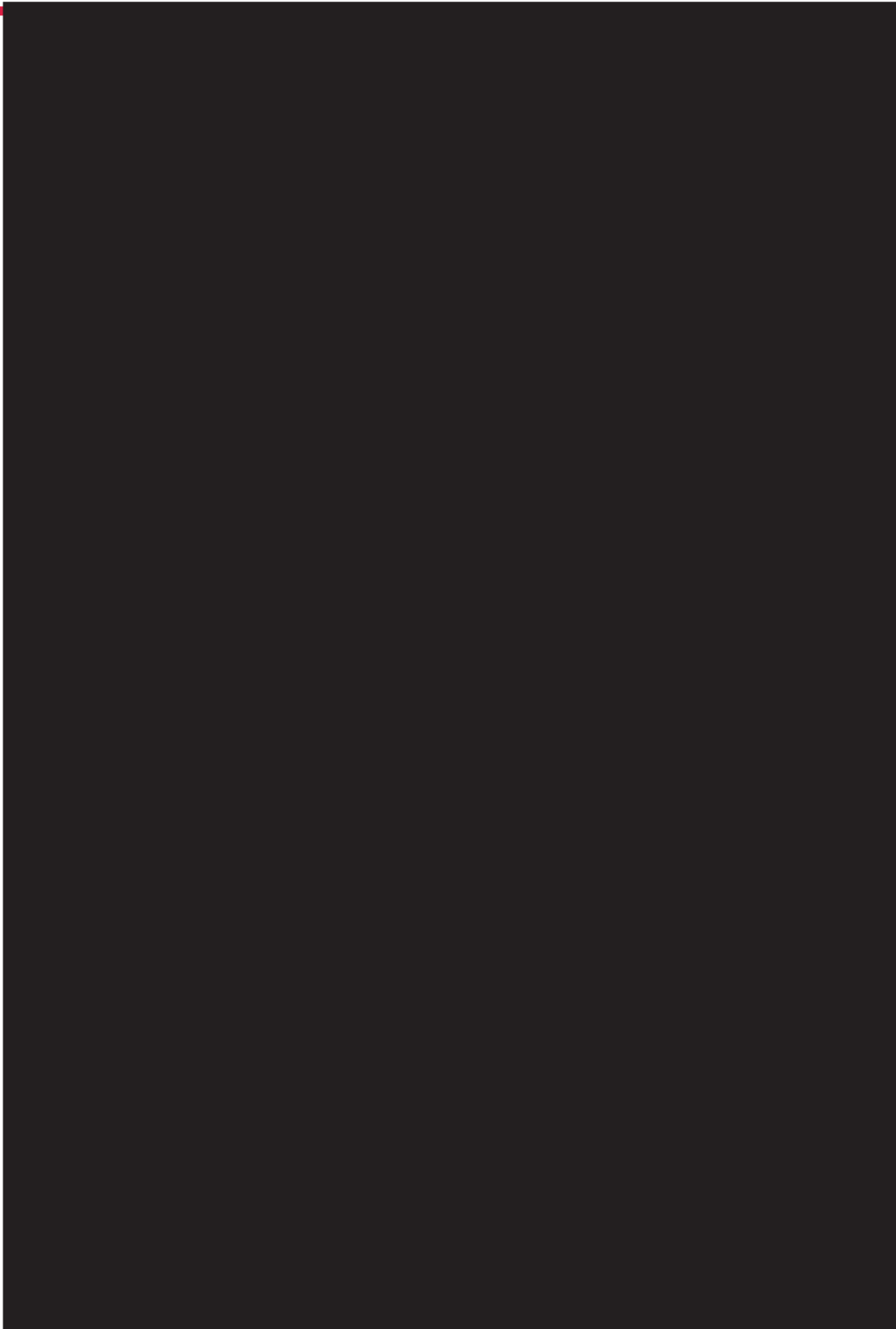
- As above, NSP would be [REDACTED] a year, with potential to be reduced dependent on Network strategy outcomes, although current losses on Network exceed NSP, with proposed strategy likely reducing losses to be broadly in line with NSP.
- Loan schedule (both loan inflows and repayment outflows) to be agreed, however, a 5-year repayment schedule with a commercially suitable interest rate would likely be suitable for all parties.

10. What would the 4YP look like if we sold Telephony?

As already discussed, the business has already made the strategic decision to sell the Telephony business if suitable circumstances can be agreed. Based on this business unit transferring out of POL at the end of 20/21 for an approximate sale price of [REDACTED], an updated financial view of the 4YP financials is shown below. This does not have a material impact on outcomes, reducing Security Headroom by [REDACTED] over the cycle, but remains the business's preference in principle because the complexity that the business brings. We would be happy to discuss a mechanism whereby, if a materially better outcome is forthcoming, funding can be returned:



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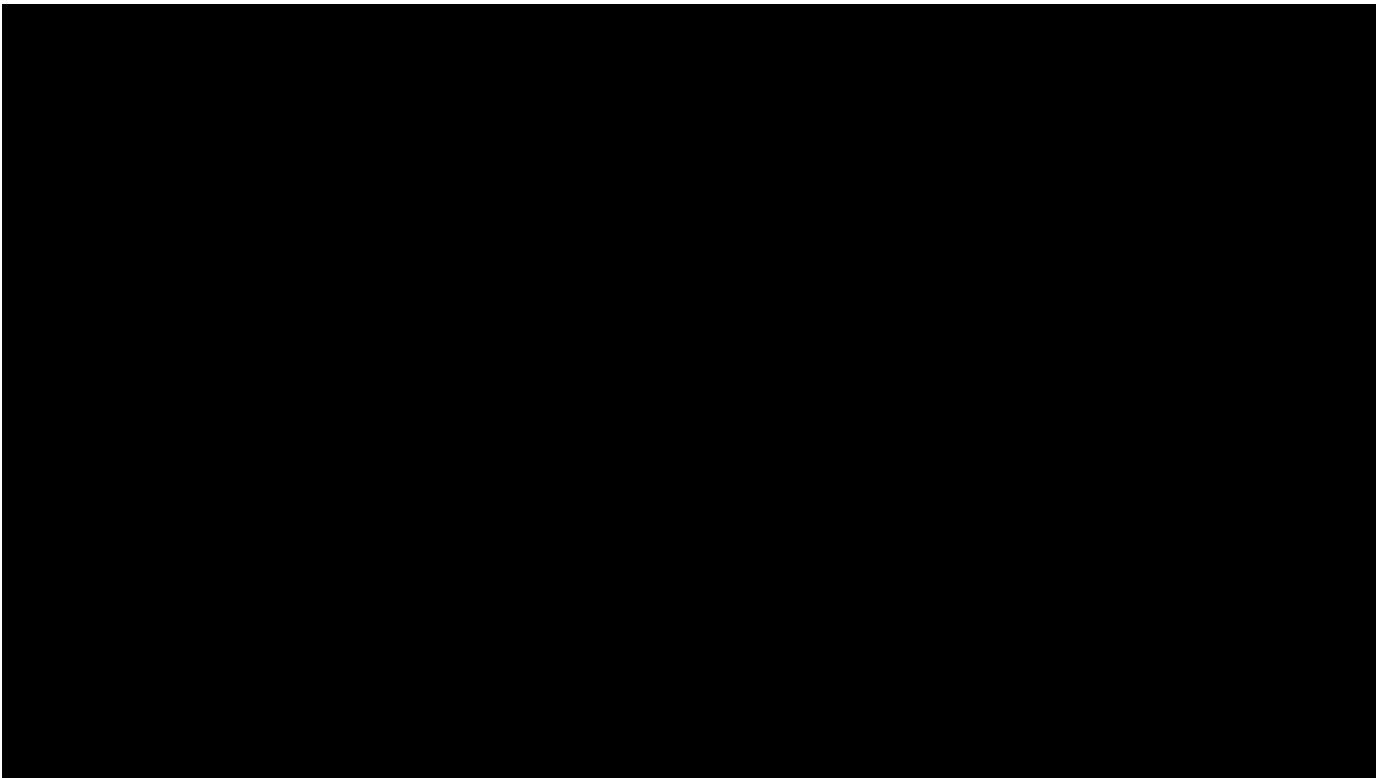
11. What is the outlook beyond 2023/24?

Clearly the further out we try to look the more speculative our view becomes, however, there are likely material trends that can be discussed along with their potential impacts on POL:

- Whilst Banking & ATM revenues grow over the 4YP as we further increase our market share, this will likely stabilise towards the end of the 4YP, with bank branch closures reaching a minimum level. At this point the longer-term decline of cash in the UK will likely erode our revenues in this area. It is also worth noting that a third iteration of the Banking Framework agreement will be implemented from January 2023 which will change commission rates.
- We would expect to see a slightly and slow decline in Mails beyond the 4YP, with PUDO revenues stabilising and traditional mails products such as stamps continuing their slow historical decline.
- We have modelled the continuation of low interest rates over the 4YP, with this particularly affecting our PO Money revenues. A further economic recovery post 4YP would likely boost profits in the Savings, Mortgages and Loans area (from interest rate increases), along with Travel Money (as people start travelling more).

The above factors would therefore likely see our revenues stabilise or slightly decline from the predicted 23/24 exit level. To maintain our profitability we would therefore look reinvest a portion (but not all) of our profits to expand in to new products, increase market share, and reduce costs further, including encouraging Postmasters to invest in automation and reduce staff costs. We may see wholly automated Post Offices.

Extrapolating out the above would credibly show a sustainable business in 24/25. Cashflows from operations would be expected to exceed outflows from investments and other items by around allowing a build-up of retained earnings that could form a potential dividend stream.





12. What are the next steps?

Once we have agreed our funding submission at a Board and UKGI level, our 4YP will then need to be assured by KPMG during August. Once assured the final funding paper and assurance report will become part of the BEIS submission to HMT in September. The current Government timetable for the Spending Review expects the conclusions to be published in November. There are likely to be other meetings and required discussions along this timeline as the Government finalises its timetables.

Once we have agreed 4YP funding, BEIS and POL will a new contract. This will allow us to finalise our financial accounts for 2019/20 (ARA), as it is a required element of our proof of being a Going Concern.

We continue to abide by the EU State Aid regulations, as we have done throughout the current 3YP period. Whilst we are committed to carrying this on, the future structure of State Aid post Brexit is still to be agreed at a Government level. We therefore note that this future action at this stage, although we cannot currently plan a response.

In our discussions with BEIS, they have also noted that depending on the decisions made about the size and shape of the Network during this process, a public consultation may be required in the future to ratify and steer any changes.

All the above will require close working with UKGI and BEIS in particular, and we thank them for the support they have given us thus far in this process.



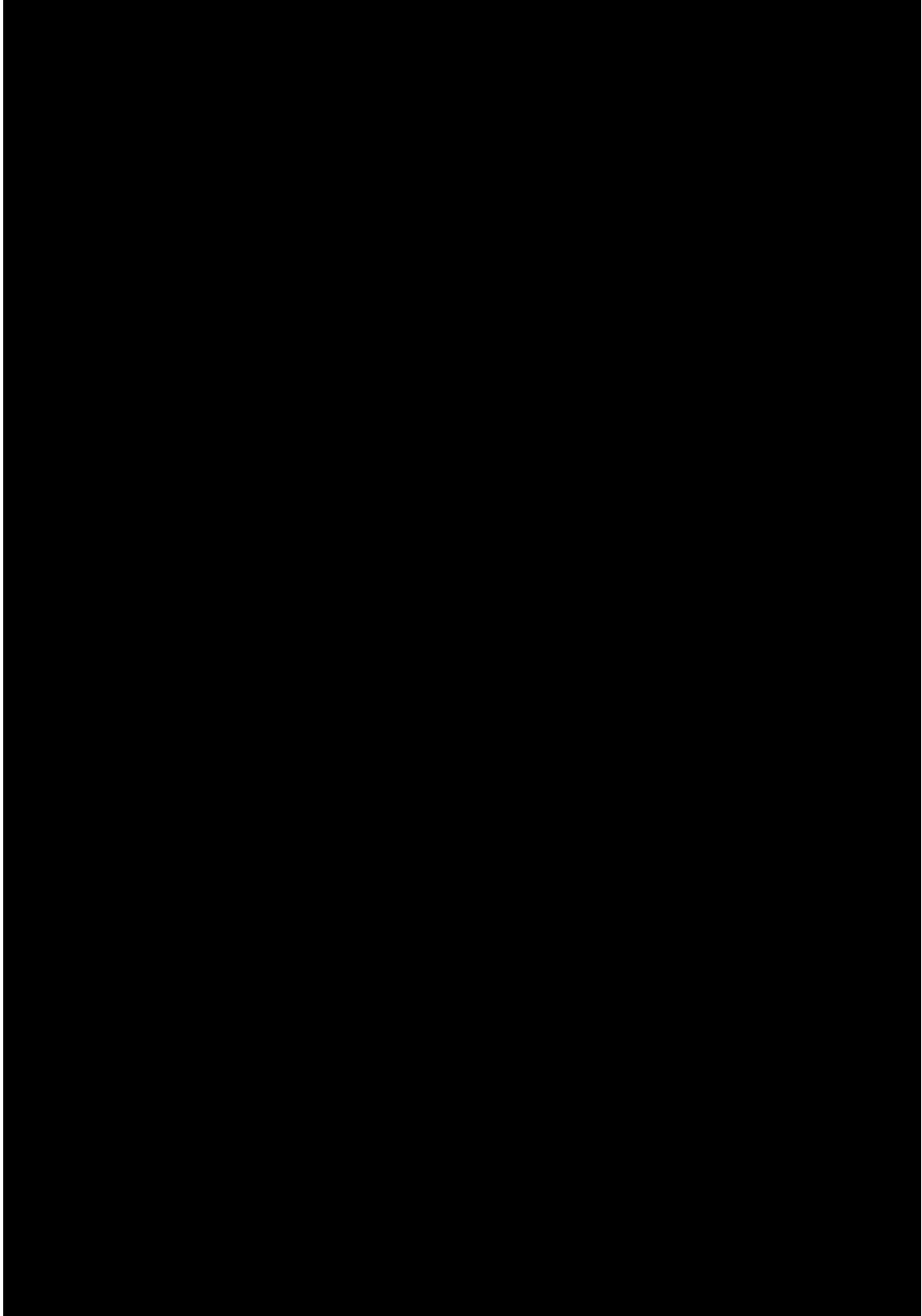
i. Appendix – 3YP Investment Detail

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2. Appendix – 4YP Investment Detail



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POST OFFICE LIMITED BOARD REPORT

Title:	RMG MDA2 Negotiations Update	Meeting Date:	28 July 2020
Author:	██████████ ██████████	Sponsor:	Owen Woodley, Group Chief Commercial Officer

Input Sought: Noting

Board to note:

- Update on progress through legal drafting
- Risks to commercial forecast and mitigations
- Deal alignment with emerging network strategy
- Next steps toward signing of MDA2
- Answers to NED questions

Previous Governance Oversight

At 8 April Board a mandate was approved to progress MDA2 with Royal Mail Group (RMG) through legal drafting on the basis of the commercial deal described in the Board paper but subject to the circulating the final summary of terms to the Board.

Executive Summary

Since April we have gained increased network freedoms from Royal Mail which we are comfortable will support our emerging network strategy however with some caveats/risks set out in this paper.

The deal forecasts medium case flat revenue at ██████████ for the first five years, however there are risks to that forecast and the worst case scenario delivers ██████████ revenue vs the medium case in FY22/23, driven by some competition from RMG, a significant change to the USO in 2022 which removes parcels from the USO, and this in turn triggering extended industrial action in RMG during that financial year.

We are expecting RMG to return a marked-up draft of the contract issued by POL on 24 July, and this will highlight any remaining gaps.

Once we have agreed the drafting with RMG, a contract summary and risk note will be shared with the board for approval. This will be followed by the final internal CAF governance process to enable signature and internal and external communications of the deal.

Questions addressed

What progress has been made since April through legal drafting on MDA2?

1. POL issued a draft MDA2 contract to RMG for their review on 15 June 2020, reflecting the commercial deal in the April Board Paper, plus the increased network freedoms negotiated post the April Board meeting.
2. RMG have now committed to get their fully marked up return of MDA2 to POL on Friday 24 July.

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3. RMG have raised an issues list of 20 topics which we are working through, of which 6 of these are material and covered in more detail in this paper.

What are the projected risks to the commercial deal, the likelihood of those risks materialising, and the proposed mitigations?

4. The medium case revenue forecast for the first five years of MDA2 is broadly flat at [REDACTED] p.a. but we have also modelled the extremes.
5. In our low case by the 5th year of MDA2, our revenues are forecast to be [REDACTED] driven by 1% higher migration each year, RMG not increasing prices, HSR/Local Collect growing at 1% less each year, CPI comes in at 1% vs 1.5% in the medium case and medium parcels coming out of the USO.
6. The 'low' case would of course have significant implications for our sustainability but we believe we have the mitigation strategies available to us today to avoid this happening. These include the ability to sell RMG products on our website to defend against further migration to RMG's own website. And the sound execution of our PUDO strategy - with Amazon and beyond - will be absolutely critical. We are refining the terms of reference for a piece of work to engage in the USO review, which will start in Q4 following the preliminary "user needs phase" which is set to commence in the autumn.

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Why are the limitations on liability imbalanced in MDA2?

7. The liabilities are a flow through from MDA1 and we have extensive work underway in Operations to address the Stamps issues which have been discussed at length in ARC.

Do the network freedoms negotiated in MDA2 support and enable our emerging network strategy?

8. MDA2 brings increased network freedoms which we are comfortable will support our emerging network strategy however with some caveats/risks. The detail is set out below.

How might RMG respond, and what could they do, if and when POL opens up its network to 3rd parties?

9. There are risks associated with the market starting to open up to both parties but we believe there are reasons to believe that these will not crystallise and can be mitigated if they do.

What are the proposed next steps toward signing MDA2?

10. We will be in a position to provide a verbal update to the Board on Tuesday 28th July on any final gaps in agreement on the deal and our plans to close them. Once we have an agreed contract, Legal will produce the final contract terms summary and a detailed risk note for final approval at Board.

Report

What progress has been made since April through legal drafting on MDA2?

11. POL issued a draft MDA2 contract to RMG for their review on 15th June 2020. An MDA2 Terms Summary Overview is included in Appendix 1, reflecting the draft sent over to RMG. These terms are still subject to further negotiation, and do not reflect an

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exhaustive list of the terms. In response RMG raised an issues list of 20 topics, and the parties discussed those topics at length during the week commencing 29th June, with follow up meetings during the week commencing 6th July. RMG have now committed to get their fully marked up return of MDA2 to POL on Friday 24th July, and at that point POL will have a committed position on all outstanding topics from RMG, and therefore be able to identify any final gaps in drafting.

12. RMG have been slower than originally anticipated getting their responses back to POL due to a restructure where their lead negotiator was made redundant. [REDACTED] RMG's [REDACTED], has now taken leadership of contract negotiations.
13. Despite the changes over at RMG, the commercial deal is still on the table at this time, and RMG are working to the same timetable as POL to close it. Of the 20 outstanding topics, 14 are not material drafting topics, and the remaining six topics POL will need to be comfortable with before the deal is finalised :-
 - [REDACTED]
 - RMG looking to propose a change to the Limitations on Liability to include a Data Protection Liability, and POL awaiting to see this in drafting on the 24 July.
 - Both parties want to agree the interoperability obligations in the agreement in addition to the principles already drafted.
 - Similarly both parties looking to agree the obligations relating to how technically RMG will support POL to sell RMG products online. The right to sell RMG products online and pricing for this is already included in the drafting.
 - RMG still appear to be seeking to limit POL rights to refuse change requests through legal drafting, beyond what POL believe was negotiated and agreed with Stephen Agar, and assume with his departure, RMG are taking the opportunity for a final push in this area.
 - RMG having initially agreed to deal with the topic of improved stamps visibility as a business as usual topic, have now put this back on the table, looking for POL to cover the costs of delivering these improvements.

What are the projected risks to the commercial deal, the likelihood of those risks materialising, and the proposed mitigations

14. The medium case revenue for the first five years is forecast as broadly flat at [REDACTED] based on the following assumptions :-

Products	Average growth/decline over 5 years
Parcels	-0.5% to -1% p.a. across products
UK acceptance	+5% p.a.
Home Shopping Returns (HSR)	+8.4%
Stamps	-8.6%
Special Delivery Sales	-2.1%



Special Delivery Accept	-9.9%
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15. We have then modelled the extremes. So in our 'high' case by the 5th year of MDA2, our revenues are forecast to be [REDACTED] driven by 1% less migration to online each year, RMG higher price increases at full CPI vs our medium case where the increase is at half CPI and HSR/Local Collect growing at an additional 1% each year.
16. In our 'low' case by the 5th year of MDA2, our revenues are forecast to be [REDACTED] driven by 1% higher migration each year, RMG not increasing prices, HSR/Local Collect growing at 1% less each year, CPI coming in at 1% vs 1.5% in the medium case and medium parcels coming out of the USO.

Disaster scenario FY22/23

17. We have also modelled a disaster scenario which would come to a head in 2022/23 when Ofcom announce the new regulatory framework for the USO, as follows:-
- RMG in a non-exclusive world start to introduce a network of flagship competing branches, and by 2022 have c. 50-80 trading against our top branches.
 - Our performance is poor, and we are running at the level of the 'low' case.
 - Ofcom introduce a new USO regulatory framework in March 2022. Small Parcels are removed from the USO, and to maintain market share, RMG have kept the headline rate the same and absorbed VAT.
 - The introduction of the new regulatory framework leads to widespread industrial action in RMG that lasts a significant time.

Disaster Scenario	FY22/23 [REDACTED]	5 Year Total FY22/23 - FY26/27
Low case	[REDACTED]	[REDACTED]
RMG target top c50-80 locations	[REDACTED]	[REDACTED]
Small parcels out of the USO	[REDACTED]	[REDACTED]
Significant strike action	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]
Variance to Medium Case	[REDACTED]	[REDACTED]

Risk mitigations

18. We have also modelled specific commercial risk impacts and mitigants along the way:

Risk	Impact over 5 years	Probability	Mitigation
Extended industrial action at RMG	[REDACTED] [REDACTED] [REDACTED]	Low to medium	Requirement in MDA2 on RMG for contingency plans.
Medium Parcels taken out of USO	[REDACTED]	Medium	POL to engage in USO review and influence outcome.



Small Parcels taken out of USO	██████	Low	POL to engage in USO review and influence outcome.
Additional 1% migration to RMG online (1-2% assumed in medium case)	██████	Medium	POL right to sell RMG products online on POL website and App and further innovation to our Drop & Go service.
No increases to RMG prices	██████	Low to medium	No mitigation, MDA2 shared risk and reward commercial structure.
CPI -0.5% below medium case forecast of 1.5%	██████	Low to medium	No mitigation, MDA2 shared risk and reward commercial structure.
HSR and Local Collect growing at 1% less than medium case	██████	Low to medium	No identifiable mitigation in MDA2, dealt with in PUDO strategy.
RMG compete head-to-head in retail and take 100% revenue from POL top performing c220 branches which account for 10% of POL Mails revenue	██████	Low	POL should benchmark its prices and ensure remain competitive for RMG and should restrict Agents from dealing directly with RMG.

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19. The 'low' case would of course have significant implications for our sustainability even without the disaster scenarios. But as noted above, we believe we have the mitigation strategies available to us today to avoid this happening, including the ability to sell RMG products on our website to defend against further migration to RMG's own website and the delivery of our PUDO strategy with Amazon and other carriers.
20. We have been negotiating extensively over the last 2 years around the fixed fee and minimum commitments from RMG. Their opening position in September 2018 was for continued restrictions with no ability to sell online, no fixed fees, a 15% year one price discount ██████, and continued annual price reductions in line with the current MDA - described as efficiencies. By January 2020, restrictions were off the table, we had won the right to sell RM products online and the ██████ discount was off the table. We had not given concessions in return.
21. However over the same period, RMG have been consistently adamant that if there was to be any continuation of a fixed element of pay, that fee would be tied to network conformance requirements in terms of opening hours and numbers of branches; and the fee would be reduced in the event of POL opening up our network. The alternative on offer from RMG was that the fixed fee was removed and rebalanced into variable pay.
22. Whilst this creates some exposure, the current fixed fee represents less than 10% of the total revenues anyway and also is partly mitigated as the redistributed fixed fee has been spread by way of increases across the rate card. This has been a red line for

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RMG throughout and the external review of the deal which McKinsey did for us in March this year suggested the elimination of the fixed fee is likely to be net positive for POL, albeit not guaranteed of course and so we have reflected worst case ranges in our financial modelling.

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Why are the limitations on liability imbalanced in MDA2?

- 23. We have been through this issue again with Linklater’s and the logic behind the imbalance in the limitations on liability in the MDA that was negotiated back in 2011 are now long-embedded but not clear to us. We recommended to the board in May 2017 that the re-negotiation of the MDA would not include opening this up, but instead focusing on commercial topics that supported POL being able to extend its reach in the market and to reduce its reliance wholly on RMG performance. So the MDA obligations on liabilities have flowed through to MDA2.
- 24. The primary risk to POL is a claim for loss at the face value of stamps which have been lost or had stolen while in our possession or control. This is obviously subject to separate legal and compliance work as you are aware via ARC. We have recently issued a change request to RMG which will enable POL to sell stamps based on barcodes. This will help gain better control and visibility of stamps in the network, but will also act as an enabler for further work to improve stamp stock management - something which both RMG and POL are committed to addressing.
- 25. We have considered the losses POL could be exposed to as a result of failings by RMG in relation to the agreement. The only material example identified is in the event that RMG is unable to collect from branches - for example in the event of extended industrial action - and POL decides to procure alternative provision to get mail from Post Offices in to the RMG network. As explained above, we concluded that in practice, we would be very unlikely to procure a viable temporary solution in this situation.

Do the network freedoms negotiated in MDA2 support and enable our emerging network strategy?

- 26. MDA2 brings increased network freedoms which we are comfortable will support our emerging network strategy however with some caveats/risks:

MDA	MDA2	Supports network Strategy?
11,500 branches	No specific target on numbers	Flexibility on total numbers.
DUSP Access targets, 95% within 5km of an access point, and 95% within 10km of an access point by Postcode areas	DUSP Access targets, 95% within 5km of an access point, and 95% within 10km of an access point by Postcode areas	<div></div> <div></div> <div></div>



Mirror retail opening hours, and increase opening hrs by 40% across the network by 2018	No commitments on opening hours	Flexibility, but our strategy needs to deliver convenience in order to retain market share.
Sell and accept all USO products in all branches	Sell and accept all USO products in all branches	Strategy for some accept only branches, and whilst RMG supported trials (ParcelShop) will require change request for roll out of accept only models.
Network Churn subject to change request but agreed practice just notification, and increased costs to RMG passed on to POL	Network churn subject to notification, and increased costs to RMG passed on to POL	If a material change to our network which is likely to have material adverse effect on RMG revenue, or materially alters the cost basis of POL network, parties, renegotiation event can be triggered, tied to dispute resolution ending in arbitration.

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28. The renegotiation event only commits the parties to negotiate. It does not point to any specific outcome but if the parties failed to reach an agreement, the dispute resolution process could be triggered and if unresolved by the parties internally, it could go to mediation and ultimately arbitration.

How might RMG respond, and what could they do, if and when POL opens up its network to 3rd parties?

29. RMG recognises that the relationship with POL is moving to a new phase, no longer an exclusive relationship which was there to protect both parties through separation. And whilst it would no doubt prefer for us not to open up its network, it acknowledges this will happen at some point, maybe sooner rather than later. This position is supported by the positive actions RMG have already taken to acknowledge the need for interoperability processes and obligations to be in place that support a world where POL will be working with other partners/carriers, and the risks associated with that in terms of potential miss-sorts of parcels.
30. There is no evidence of a strategy in RMG to move away from POL - only a strategy to continue to respond to the insatiable appetite of customers for convenience, choice and the ability to transact increasingly through digital channels where it suits them. Our best defence to any competitive moves away from POL by RMG is our network scale and reach. We do not believe that a large scale replication of POL network or a network acquisition is a credible strategy for RMG.

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31. RMG have already made some noise around incremental moves:

- Transform delivery office - Restricted opening hours, unionised workforce located on industrial areas with poor consumer access
- Expand collection threshold for SMEs - RMG have done some trials, however as they have two networks (a collection and a delivery network) smaller collections drive cost and requires workforce integrations
- Develop a pillar box/drop-box network - RMG have repurposed franked mail boxes to accept parcels. The investment is in signage on the boxes, the aperture restricts the majority of parcel formats and the customer does not get a certificate of posting

32. These have all been more about sweating their existing assets, or seeking ways to get at higher volume senders because in reality, it benefits RMG having customers in the POL network buying RMG's highest margin products. If we are wrong and they turn much more aggressive, we believe the strong and innovative advancement of our PUDO strategy will be our key defence.

[REDACTED]

What are the proposed next steps toward signing MDA2?

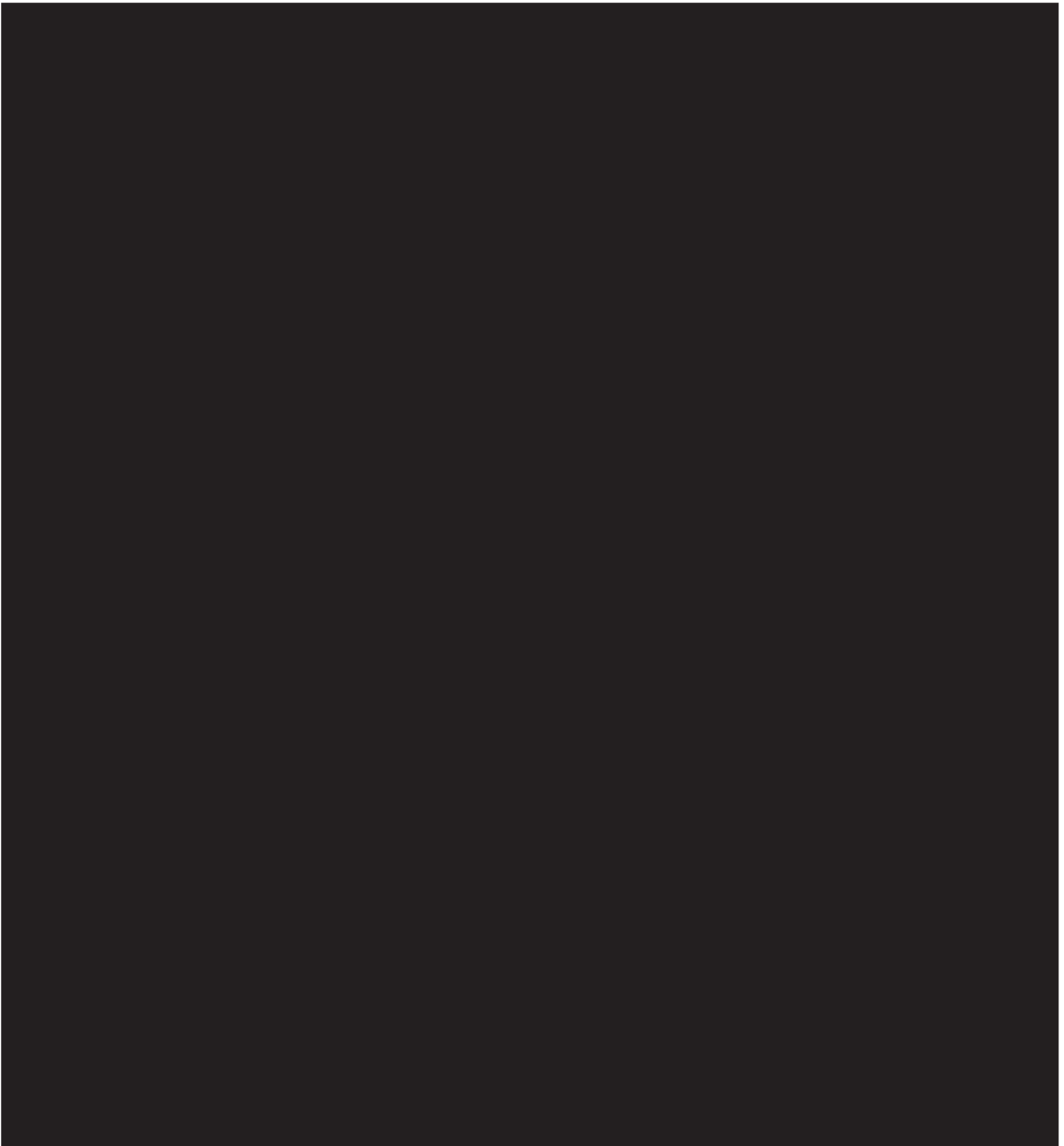
34. RMG have now committed to get their fully marked up return of MDA2 to POL on Friday 24 July, and at that point POL will have a committed position from RMG on all outstanding topics, and be able to identify any final gaps in drafting, that will need to be closed.
35. We should then be in a position to update the Board on Tuesday 28 July on any final gaps in agreement on the deal.
36. POL will then work to close out any remaining topics with RMG, closing out any topics that are not material, and returning to the Mails Strategy SteerCo in the first instance with any proposed positions that are material.
37. Assuming the parties then reach agreement on the final topics, the lawyers will provide the final contract terms summary and a detailed risk note for the deal for board members final review, consistent with the mandate approved by the board in April.
38. The final step will then be the CAF process which will enable POL to move to signature of the agreement and internal and external communications.



Appendix 1

MDA2 Key Terms Summary Overview, 19 June 2020

This note provides a shorter summary of the key terms of MDA2 based on the Summary of MDA2 Key Terms document of 9 June 2020, noting that it is still subject to further negotiation. It is not intended to be an exhaustive summary of all of the terms of the agreement, and is not a replacement for a detailed review of MDA2 itself.



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POST OFFICE LIMITED BOARD REPORT

Title:	GLO separation solution: Managing Issues Arising from GLO Related Matters & Project Starling	Meeting Date:	28 July 2020
Author:	[REDACTED]	Sponsor:	Ben Foat: Group General Counsel

Input Sought: The Board is asked to:

- **Approve**, in principle, an internal restructure / ring-fencing whereby a new 'Historical Matters' business unit including a historical Group executive within the existing Post Office Group, reporting into the existing Post Office Board, noting this does not prevent a new separate entity being formed in due course.
- **Approve** the development of an implementation plan which is to be brought back to Board in September.

Previous Governance Oversight

- Pre-Meetings with UKGI 10 June & 30 June, and BEIS 30 June 2020.
- PGLO SteerCo 8 July 2020.
- Post Office Group Executive Meeting of 15 July 2020.

Executive Summary

1. Although addressing the issues caused as a result of historical practices is important and necessary for Post Office to reset the relationship with Postmasters; the amount of Executive and Board time these matters consume restricts the focus required to ensure Post Office realises its forward looking strategy. The intensity of these matters will also likely increase over the next 12 – 24 months.
2. Given previous advice including potential exposure of the GLO and Starling, Post Office has advised UKGI, BEIS and HMT that Post Office will not be able to fund the potential financial exposure associated with these matters. Post Office will need support from Government. Talks to agree the appropriate mechanism and quantum, have begun and need to continue regularly to ensure these are not overlooked particularly in the 3 year funding round which we understand begins formally in September.
3. In terms of managing the matters which give rise to historical issues and liabilities going forward, Post Office has 3 options:
 - i. **Do Nothing:** These matters and the programme teams continue to be reported up through the existing Post Office Group Executive and the existing Post Office Board.
 - ii. **Internal Re-structure / Ring-fencing:** A new 'Historical Matters' Group Executive is formed as an additional Business Unit within the existing Post Office Group, reporting into the existing Post Office Board.
 - iii. **Separate Legal Entity:** a new legal entity is created, outside of the current Post Office Group, with a new 'Historical Matters' Group Executive reporting into a new Board.

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4. The recommendation is for Post Office proceed on the basis of option 2. This option is less complicated than forming a new legal entity outside of the group and does not prevent a new separate entity being formed in due course, once some of the current 'unknowns' become known. If the Board approve this recommendation, immediate next steps include funding and resourcing a project team, with support from external legal advisers and consultants. The first deliverable being an implementation plan for the September Board.

Questions addressed

1. What options exist for Post Office to separate itself from managing historical issues arising from the GLO and Starling?
2. What are the advantages and disadvantages of each option, including the associated timeframes and costs?
3. What is the recommended approach and why?
4. What are the risks of not taking action now?

Report

Context

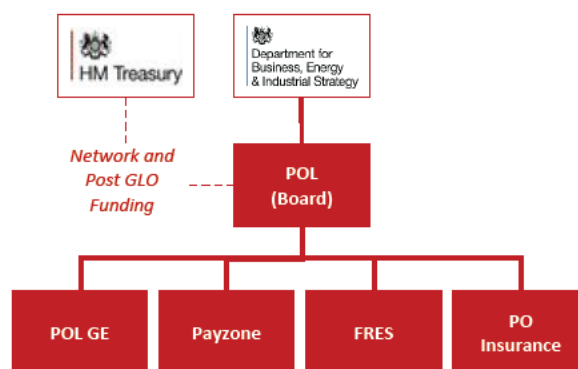
5. This paper and its recommendation has been brought to the Board owing to the following developments / ongoing matters:
 - The recent decision from the CCRC to refer a number of private prosecutions brought by Post Office to the Court of Appeal.
 - The Historical Shortfall Scheme; stood up by Post Office in May 2020, to enable current and former postmasters who were not claimants in the GLO, to make claims for losses relating to historical shortfalls.
 - Post Office's defence of a claim brought by CWU to establish 'worker rights' ("Starling") for a subset of postmasters.
6. The GE and Board receive regular briefings on each of the above matters and will be aware therefore of the significant financial exposure to Post Office, individually and as a collective. The GE and Board are also therefore aware of the amount of time these matters consume at Board and GE Meetings. The level of 'stewardship' these complicated matters also require outside of these meetings from members of the GE, particularly in respect of the Group Chief Executive Officer and Group General Counsel, is significant.
7. Although addressing the issues of the past which gave rise these matters is important and necessary to reset and evolve the relationship with Postmasters, the CEO and the rest of the GE need to be able to focus on delivering a self-sustaining commercial future for the company.

Options

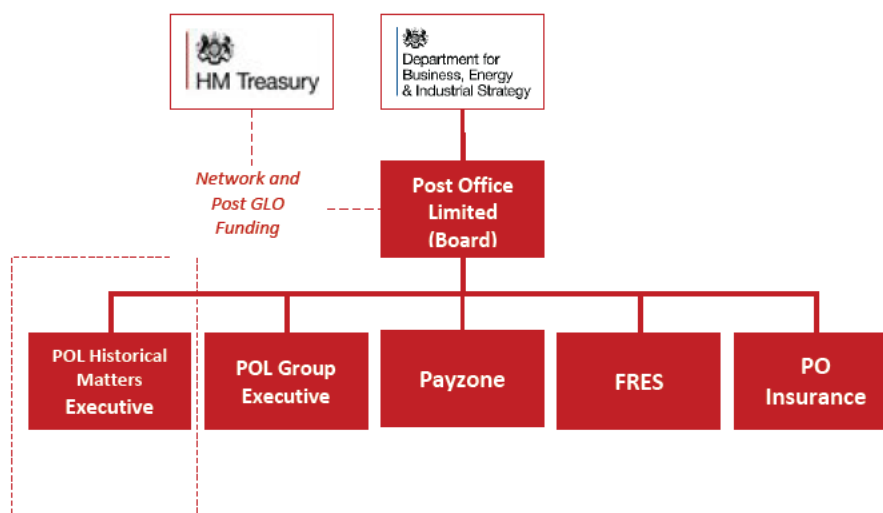
8. Post Office, UKGI, BEIS and HMT recognise that although Post Office has managed the financial costs of GLO and Starling related matters to date (including the [REDACTED] settlement figure agreed in December 2019 with the GLO claimants), should any of the potential financial exposure associated with these matters crystallise, Post Office will need support from Government.



9. Talks to agree the appropriate mechanism and quantum, should begin and continue regularly to ensure these are not overlooked in the 3 year funding round which we understand begins formally in September. Post Office should seek two distinct 'pots' of funding; network funding and funding to manage and provide for the potential liabilities attached to these matters.
10. In terms of the management of these matters going forward, broadly speaking Post Office has 3 options:
- i. **Do Nothing:** These matters and the programme teams continue to be managed and reported up through the existing Post Office Group Executive and the existing Post Office Board.

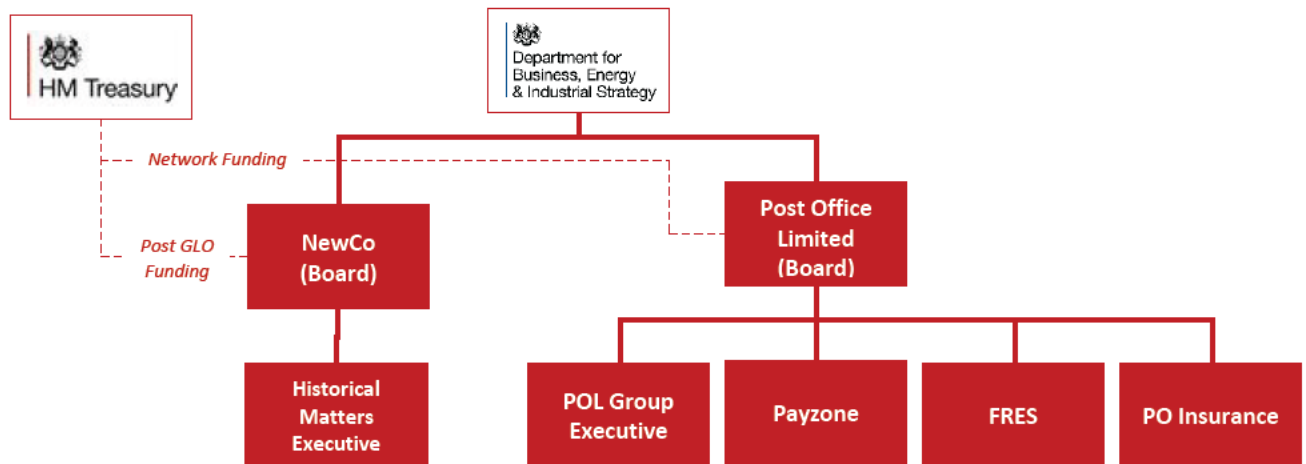


- ii. **Internal Re-structure / Ring-fencing:** A new 'Historical Matters' Group Executive is formed as an additional Business Unit within the existing Post Office Group, reporting into the existing Post Office Board. A new executive director within that executive committee would be appointed to have accountability for managing this programme of work.





- iii. **Separate Legal Entity:** a new legal entity is created, which sits outside of the current Post Office Group, with a new 'Historical Matters' Group Executive reporting into a new Board. The current programme teams move into this new separate legal entity.



11. Each of the options, along with their respective advantages and disadvantages are set out below. Also included are indicative timeframes and costs.

Considerations	Option 1 Do Nothing / Status Quo	Option 2 Internal Restructure / Ring-fencing <u>inside</u> Post Office Group	Option 3 Create a Separate Legal Entity <u>outside</u> of Post Office Group
Executive Summary			
High Level Advantages	<ul style="list-style-type: none"> • <u>No change to the status quo</u> and thus, the simplest of the 3 options, with no lead time, 'set up' costs or broader considerations required. 	<ul style="list-style-type: none"> • Existing Post Office Group Executive can focus on delivery the future strategy for Post Office. • Simpler and cheaper to execute than creating a separate legal entity <u>outside</u> of the Post Office Group (and does not prevent you from doing so in due course, once some of the current 'unknowns' become known). 	<ul style="list-style-type: none"> • Existing Post Office Group Executive and Board can focus on delivery the future strategy for Post Office. • Allows for 'true' separation between the management of historical issues and delivery of a new strategy.
High Level Disadvantages	<ul style="list-style-type: none"> • Not believed to be sustainable in the medium to long term. • Existing Post Office Group Executive & Board continue to spend a disproportionate amount of time providing oversight and management of these matters. 	<ul style="list-style-type: none"> • Existing Post Office Group Executive loses oversight of what is an important matter – the appropriate management of which is required in order to reset the relationship with Postmasters. • Challenges regarding establishing clear and transparent separation between Post Office Group Executive and Historical Matters Group Executive. 	<ul style="list-style-type: none"> • Existing Post Office Group Executive and Board loses oversight of what is an important matter – the appropriate management of which is required in order to reset the relationship with Postmasters. • Complicated and expensive, with a long lead time and dedicated programme team (with external support) required in order to execute.

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Considerations	Option 1 Do Nothing / Status Quo	Option 2 Internal Restructure / Ring-fencing <u>inside</u> Post Office Group	Option 3 Create a Separate Legal Entity <u>outside</u> of Post Office Group
		<ul style="list-style-type: none"> Existing Post Office Board continues to spend a disproportionate amount of time providing oversight and management of these matters. 	
Key Design Principles			
Provides financing for liabilities?	No: requires separate funding mechanism with Government. Post Office is unable to proceed without a separate funding mechanism in place, though Treasury are likely to expect some form of contribution from Post Office.	No: requires separate funding mechanism with Government. Post Office is unable to proceed without a separate funding mechanism in place, though Treasury are likely to expect some form of contribution from Post Office.	No: requires separate funding mechanism with Government. Post Office is unable to proceed without a separate funding mechanism in place, though Treasury are likely to expect some form of contribution from Post Office.
Provides bandwidth for existing Post Office Group Executive?	No: <u>existing</u> Post Office Group Executive will continue to provide oversight of these matters, with Group GC as sponsor.	Yes: a <u>new</u> 'Historical Matters' Group Executive is formed as an additional Business Unit within the <u>existing</u> Post Office Group.	Yes: a <u>new</u> 'Historical Matters' Group Executive is formed <u>outside</u> of the existing Post Office Group.
Provides bandwidth for existing Post Office Board?	No: <u>existing</u> Post Office Group Executive will continue to report up into the <u>existing</u> Post Office Board.	No: a <u>new</u> 'Historical Matters' Group Executive will report into the <u>existing</u> Post Office Board.	Yes: a <u>new</u> 'Historical Matters' Group Executive will report into a <u>new</u> Board <u>outside</u> of the Post Office Group. <u>However, Post Office Board will retain responsibility for liability. To the extent any decision making authority is being delegated/transferred to an external entity, it must therefore (through claims management and other governance agreements) satisfy itself that it complies with its director's duties.</u> <u>Any claims management / governance agreements between POL and NewCo will therefore careful consideration.</u>
Other considerations			
Funding for litigation and claims liability	<ul style="list-style-type: none"> POL to be funded directly by HMT / BEIS in respect of i) Network funding; and ii) Litigation / claims liability funding. 	<ul style="list-style-type: none"> POL to be funded directly by HMT / BEIS in respect of i) Network funding; and ii) Litigation / claims liability funding. 	<ul style="list-style-type: none"> As POL retains liability for claims, funding <u>must</u> still be provided for claims settlement liability. POL to be funded either directly or indirectly by HMT / BEIS. UKGI's current proposal is that HMT / BEIS will fund NewCo¹, which in turn will indemnify POL. <u>If funding is to be provided by NewCo, POL Board must be satisfied that NewCo has ability to satisfy funding obligations, as NewCo will have no significant assets.</u> Therefore, POL Board will need to review and be comfortable with

¹ In respect of Litigation / claims liability funding. POL would receive Network funding



Considerations	Option 1 Do Nothing / Status Quo	Option 2 Internal Restructure / Ring-fencing <u>inside</u> Post Office Group	Option 3 Create a Separate Legal Entity <u>outside</u> of Post Office Group
			funding arrangements between NewCo and BEIS as shareholder.
Timing	<ul style="list-style-type: none"> No upfront timing considerations. However, any increased claims management activity would consume even more of existing Post Office Group Executive's time. 	<ul style="list-style-type: none"> Establishment of the litigation management/governance framework as well as additional requirements including, executive recruitment. 	<ul style="list-style-type: none"> Establishment of the litigation management/governance framework as well as additional requirements for establishment of NewCo, including director appointment, executive recruitment and NewCo incorporation/articles of association. Establishment of NewCo should be relatively straightforward and unlikely to cause significant delays, assuming use of shelf company and articles reproduced from POL's existing articles. However, the additional complexity of establishing the governance framework on an arm's length basis will be more time consuming.
Due diligence requirements	<ul style="list-style-type: none"> No due diligence required 	<ul style="list-style-type: none"> Low / medium level of due diligence required to identify personal and business functions required to establish internal ring-fenced business unit. 	<ul style="list-style-type: none"> High level of due diligence required to identify assets, personal and business functions to transfer to NewCo. Asset, contracts and employee transfer, shared services and change of control due diligence. Market/fair value diligence for sale assets .
Transaction documentation	<ul style="list-style-type: none"> No transaction documentation required. 	<ul style="list-style-type: none"> No transaction documentation required. 	<ul style="list-style-type: none"> Business Sale Agreement to transfer required assets and business functions to NewCo.
Organisational structure and Governance	<ul style="list-style-type: none"> No new or additional structural or governance requirements. Existing Post Office Group Executive retains oversight of claims management. 	<ul style="list-style-type: none"> Litigation management/governance framework to be established for ring-fenced business unit. <u>New</u> Historical Matters Executive within POL has day-to-day oversight of claims management and reports directly to <u>existing</u> POL board. Re-establishment of Board Subcommittee. Postmaster Representative? 	<ul style="list-style-type: none"> Litigation management/governance framework to be established for NewCo. NewCo Executive has day-to-day oversight of claims management and reports directly to NewCo board.
Agreements and contracts	<ul style="list-style-type: none"> Funding Agreement with HMT / BEIS for claims/liabilities. No additional agreements or contracts required. 	<ul style="list-style-type: none"> Funding Agreement with HMT/ BEIS for claims/liabilities. Employment contract(s) for any new designated Historical Matters Executive/employees. 	<ul style="list-style-type: none"> Funding Agreement with HMT / BEIS and NewCo for claims/liabilities. Claims management agreement between POL and NewCo. Indemnity agreement between NewCo and POL. Shared Services agreement for any POL shares services required by NewCo. Confidentiality and Data Sharing Agreements for providing information on historic claims to New Co.



Considerations	Option 1 Do Nothing / Status Quo	Option 2 Internal Restructure / Ring-fencing <u>inside</u> Post Office Group	Option 3 Create a Separate Legal Entity <u>outside</u> of Post Office Group
			<ul style="list-style-type: none"> Licences, permits and insurances required to operate NewCo as standalone business. Employment contract(s) for NewCo Executive/employees. Appointment letters for NewCo Board. AoA and other constitutional documents.
Funding for ongoing operations	<ul style="list-style-type: none"> No additional operational funding required. 	<ul style="list-style-type: none"> Minor additional ongoing operational funding required to support new business unit, including any new employees or roles required to oversee business unit. 	<ul style="list-style-type: none"> Higher additional ongoing operation funding required to support NewCo as a standalone business. Funding of NewCo either to come directly from HMT /BEIS or through payment from POL for litigation management services.
Tax	<ul style="list-style-type: none"> No additional tax considerations. 	<ul style="list-style-type: none"> No additional tax considerations. 	<ul style="list-style-type: none"> Tax analysis required for transfer of business and ongoing relationship between POL and NewCo. NewCo will require separate tax advice
Regulatory	<ul style="list-style-type: none"> No additional regulatory considerations. 	<ul style="list-style-type: none"> No additional regulatory considerations. 	<ul style="list-style-type: none"> Analysis required to determine whether NewCo is undertaking a regulated activity as a 'Claims Management Company'.
People and pensions	<ul style="list-style-type: none"> No additional employment or pensions considerations. 	<ul style="list-style-type: none"> New business unit to be made up of existing POL employees. Employment/appointment of new Historical Matters Executive. No additional pensions considerations. Who will transfer Knowledge transfer / culture - How to leverage information / learnings to ensure that POL retains the lessons learnt from GLO and continues to embrace additional learnings and its new culture of transparency and fairness. 	<ul style="list-style-type: none"> Appointment of NewCo Board – who will appoint directors? Will these be the current POL directors or a new board appointed by BEIS (as it is outside of POL Group)? NewCo to employ new and existing POL employees – TUPE considerations. Employment/appointment of NewCo Executive. Pensions considerations for transferring employees. Who will transfer Knowledge transfer / culture - How to leverage information / learnings to ensure that POL retains the lessons learnt from GLO and continues to embrace additional learnings and its new culture of transparency and fairness.
<u>Indicative</u> timeframes and cost	<ul style="list-style-type: none"> No additional costs 	<ul style="list-style-type: none"> Timing 3-6months Legal fees: [REDACTED] Programme Team: [REDACTED] Consultancy firm: [REDACTED] Search, appointment and remuneration of members of the 'Historical Matters Group executive: tbc 	<ul style="list-style-type: none"> Timing 6-12months Legal fees: [REDACTED] Programme Team: [REDACTED] Consultancy firm: [REDACTED] Search, appointment and remuneration of members of the 'Historical Matters Group executive and NewCo Board: tbc



Considerations	Option 1 Do Nothing / Status Quo	Option 2 Internal Restructure / Ring-fencing <u>inside</u> Post Office Group	Option 3 Create a Separate Legal Entity <u>outside</u> of Post Office Group
		• Total: [REDACTED] + ongoing costs (e.g. remuneration of Exec)	• Total: [REDACTED] + ongoing costs (e.g. remuneration of Exec)

12. The level of cost, complexity and disruption increases as you move from option 1 to option 3. This is to be balanced against the level of genuine separation achieved. 'Doing nothing' risks Post Office being unable to realise its forward looking strategy and failing to become a self-sufficient, commercially sustainable organisation - particularly as the workload and subsequent required level of 'stewardship' from the Group Executive and Board will likely increase over the next 12-24 months.
13. Given the current unknowns² and the associated cost, complexity and timeframes associated with the remaining options – the recommendation is that Post Office proceed on the basis of option 2 - A new 'Historical Matters' Group Executive is formed as an additional Business Unit within the existing Post Office Group, reporting into the existing Post Office Board.

Next Steps

14. If the Board approve the recommendation, a project team will be resourced and stood up, supported by external legal advisers and a consultancy firm. The immediate deliverable, for the September Board, will be a comprehensive implementation timeline and plan which will include the considerations set out in the earlier table. This requires funding.
15. A letter should be sent to UKGI and BEIS setting out the concept and implementation plan.
16. KPMG and Linklaters are well placed to support Post Office with delivery owing to their involvement on Project Legal Entity Optimisation (LEO). Their support is required owing to a lack of bandwidth and experience in executing these types of matters within Post Office. KPMG would be a non-compliant direct award and procurement risk exception notice will be included within the separate Procurement Board Paper.

² e.g. the merits of claims brought through the historical Shortfall Scheme; the number of referrals which will be made to the Court of Appeal; whether any historical convictions will be overturned and claims for malicious prosecution brought; whether the October Starling Tribunal will proceed in October and whether the claimants will actually establish worker status.



POST OFFICE LIMITED BOARD REPORT

Title:	Post GLO Settlement Programme update	Meeting Date:	28 July 2020
Author:	[REDACTED]	Sponsor:	Ben Foat, General Counsel

Input Sought: Noting and Approval

The Board is asked to:

- **Note** the status updates and next steps for each workstream within the Post GLO Settlement Programme.
- **Approve** the Budget update for the Programme, as approved at IC
- **Approve** the additional funding required to cover additional items of scope to enable provision of the Business Case at the end of September 2020
- **Approve** the advice and recommendations received from POL's legal advisers re: Stamps, which are set out in the appended KPMG Stamps paper.

Previous Governance Oversight

- Post GLO Settlement Programme SteerCo - 1, 7, 15, 22 July 2020
- Board CCRC update meeting –2 July 2020
- Group Executive – 15 July

Executive Summary

Since the previous Board update on 30 June 2020:

The following Decisions were taken by SteerCo:

1. Former postmasters omitted from initial mailing will have their addresses validated and Scheme mails sent with an option of them responding after 14th August 2020.
2. To agree to a FOIA request for a copy of the GLO Settlement Deed with a caveat of redacting Schedule 3 which contains personal information of the GLO claimants.
3. To respond to a FOIA request to release copies of the Prosecution related guidance by providing advice to the requestor as to how to narrow the request to ensure it does not exceed cost limits.
4. Approval of additional SME resource to join the Data Protection Team mitigating the risk of delays to DSAR and FOIA responses which could in turn restrict mediation scheme claimants from providing sufficient information for their claims.
5. Instructed HSF to proceed with recommended approach to Fujitsu's Potential Claim.
6. KPMG re-engaged to carry out, where possible, a review of POLs historical operation of suspense accounts, subject to RCC/ARC approval
7. Contract Reform, initially out of scope of Post GLO Settlement Programme will be accelerated as agreed with Programme Board by introducing a new workstream, along with funding for additional resource
8. The CACD has granted an extension for filing the Respondents' Notices until 2 October 2020.

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Questions addressed

1. What is the status and next steps of each of the Post GLO Settlement Programme workstreams?
2. What was the outcome of the KPMG Stamps review?

Report

This Report provides an update on various actions that are being managed following the conclusion of the Post Office Group Litigation ("GLO").

Governance

1. Following the CCRC decision to refer cases to CACD, weekly Board updates on the CCRC referrals of past prosecutions to the criminal appeal courts have been provided as appropriate, to ensure appropriate oversight.
2. Weekly Post GLO Settlement Programme SteerCo meetings, chaired by Nick Read and consisting of a sub-set of GE and GE-1 members providing updates covering the relevant workstreams, facilitated by the [REDACTED], [REDACTED] have been running since 2 April 2020.
3. Funding Governance – following initial Prove Plan approval of funding submitted in March, a revised estimate of full programme costs and funding required to produce a Business case at the end of September was presented to Project Review Board, where it received approval (subject to Finance approval) and following an additional challenge session by CFO, was re-presented at Investment Committee on 8th June, where it was approved (see para 61 for details of Budget approved)

Legal Workstreams

CCRC – Referrals to Appeal Courts

4. The CCRC's Statement of Reasons ('SoR') relating to the Court of Appeal cases was served on 3 June. A high-level summary is at Appendix 6. Of the 61 cases being considered by the CCRC:
 - a. 34 cases have been formally referred to the CACD. (see below for status and next steps).
 - b. 7 cases further cases will be referred to the CACD. SoRs are expected for these cases in the first week of July. These will almost certainly be joined with the 34 cases already at the CACD.
 - c. 6 cases will be referred to the Crown Courts, which follow a different procedure. SoRs are expected for these cases in the first week of July.
 - d. 7 cases are still under consideration. The CCRC does not expect to make decisions on these cases until August at the earliest.
 - e. 7 cases provisionally have not been referred. The defendants have until the end of July to challenge this decision.
5. Post Office will need to formally set out its stance (whether to support, oppose or not oppose each appeal) in the 34 cases currently at the CACD when it files Respondent's Notices ('RNs'). Under the Criminal Procedure Rules, each RN must *"identify each ground of opposition on which the respondent relies... concisely outlining each argument in*

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support and identifying the ground of appeal to which each relates". However, it is possible to submit a 'holding' RN if necessary.

6. The CACD has now granted a 3 month extension to serve the Respondent's Notices which must now be served by 2 October 2020. See Appendix 1 for timetable and Appendix 2 for reasons for applying for extension.
7. Counsel's initial advice on stance in the 34 cases was briefed to the Board on 2 July 2020. A high-level summary of that advice, including the decisions to be made by the Board and a time-table is at Appendix 9.
8. The CCRC, in its press release to accompany the SoR, publicly invited all future appellants to apply directly to the courts for leave to appeal rather than the CCRC. We are not aware of any new applications for leave to appeal.

Post-Conviction Disclosure Exercise

9. The MI dashboard and explanatory notes are at Appendix 3
10. The PCDE has completed over 300 first-level reviews in historical cases. The focus is now on cases where there are fewer pre-existing documents and, therefore, have not yet been confirmed as in scope. The current PCDE totals for cases in scope¹ are:
 - a. Total number of potential cases 905
 - b. Of which, total number of 'confirmed' cases 526
11. Additional resources have been applied to the non-case-specific disclosure review in order to prioritise the review of material relevant to POL's knowledge of Horizon bugs since 1999. This part of the PCDE is co-ordinated across legal workstreams (see below) to provide review product relating to Project Brisbane and to counsel advising on malicious prosecution risks.
12. The remedial plan to address delays with Consilio, the third-party scanning company, has been successful and the projected time-table for the PCDE is back in line with existing milestones and will complete by the end of August 2020.

Fujitsu 'test case'

13. Following an exchange of calls and emails with Fujitsu's legal advisers about a lack of progress on their side, on 26 June 2020, Fujitsu agreed a process and initial milestones for this exercise. Although Fujitsu advise that it will take 2 weeks to look for the presence of the 9 bugs, errors or defects ('BEoDs') in the initial 'test case', some BEoDs may be impossible to detect. In light of this information, which suggests that the exercise may never be able definitively to rule Horizon BEoDs in or out as the cause of a disputed shortfall, the continuing rationale for the test case is under urgent review.

Age Group	Should Take Action (%)	Should Not Take Action (%)
18-29	85	15
30-49	85	15
50-69	85	15
70+	85	15

¹ Horizon-related cases prosecuted by Post Office or RMG (pre-separation) that resulted in conviction.

[illegible]

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Historical Shortfall Scheme

19. As at 9.00am on 20 July 2020, the Scheme had received 808 claims in total. 234 of these are fully quantified with a value of [REDACTED], 385 are partially quantified with a value of [REDACTED], bringing the total of fully and partially quantified claims to [REDACTED] – see Appendix 4. The largest individual claim to date has been for [REDACTED]. The most recent weekly MI report, which provides a more detailed breakdown of the type and value of the claims received as at 17 July 2020 is at Appendix 5.
20. Whilst the amount of information provided on application forms has varied greatly, the main types of loss claimed thus far (other than shortfalls) include personal injury (both psychological and physical), loss of earnings, loss of property, interest, loss of reputation/stigma and loss of profit.
21. All Claimants to date have been unrepresented and approximately six times more former postmasters have applied than current postmasters.
22. 77 of the Claimants were part of the previous Network Transformation settlement scheme and eight were part of the 2013 Mediation Scheme. Five Claimants entered into a settlement agreement outside of those two Schemes and will be ineligible for this Scheme.
23. 36 escalation claims have been identified to date and are being prioritised – 14 of these have been confirmed as eligible to join the Scheme and document collation is underway on these, prior to assessment.
24. Data extracts to support mailing the 8,000 postmasters who were inadvertently missed off the original mailing list are being finalised and verified. The target mailing date for these is 20 July 2020, albeit this is dependent on verification of data extract work currently being planned by Internal Audit.
25. Two corporates have made contact:

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[REDACTED]



Operational Workstreams

ATOS New Tariff/Stamps issue

40. An issue arose as part of a BAU project which implements the Royal Mail Tariff change. This included a price increase for definitive postage stamps and some new denominations of stamps being issued to branches, but when Royal Mail made a late change to the announcement date, although Post Office informed all suppliers correctly, ATOS did not follow the scripted process when changing the date, leading to invalid reference data.
41. This led to 359 branches using incorrect product codes and although the reference data was corrected overnight on 24 February 2020 (which removed the issue for all other branches) it left the 359 branches with a gain to the value of the new stamps, total [REDACTED]. The impact on MMBE back office stock control system is similar, with double the volume of stamps which must also be corrected.
42. The issue was escalated by the Operations and Project team and picked up by Finance on 11 March 2020, who worked with Fujitsu and Accenture to understand the issues and progress a solution.
43. A solution to correct the position with the 359 affected branches by issuing Transaction Corrections is now ready to be rolled out, with any impact on their branch accounts to be managed through BAU processes.

Stamps and Stock

44. An internal investigation in late 2019, followed by a report produced in February 2020, identified a number of risks in Post Office's stamps supply-chain and internal processes. KPMG were instructed in April 2020 to investigate what evidence exists to confirm whether postmasters have suffered losses as a result. KPMG undertook their investigation across April, May and June.
45. KPMG have found some limited evidence of recent losses (incurred in the past 12 months) suffered by postmasters, together with a number of weaknesses in POL's stamps processes and controls. KPMG have not been able to identify evidence of stamps-related postmaster losses any further back in time due to (1) the way that stamps are accounted for on Horizon (i.e. converted to a cash value at the point of sale), and (2) limited audit data having been retained which could identify a stamps discrepancy caused by POL. However, KPMG have identified issues which increase the likelihood of a stamp discrepancy arising for postmasters and which have variously existed since around 2000.
46. KPMG's findings raise complex legal and operational considerations for the business. A paper summarising KPMG's findings and setting out the legal and operational issues for the business is appended as a separate paper, entitled "2020.07.28_POL Board Paper_KPMG Stamps Appendix_Privileged and Confidential_V1".
47. POL's legal advisers are considering the implications of KPMG's findings on the Post-GLO programme workstreams and are advising POL on its legal obligations and options. It is recommended that the GE approve the advice and recommendations received from POL's legal advisers, which are set out in the appended paper.
48. In parallel, POL has implemented significant operational improvements and 'tactical solutions' to strengthen its controls over stamps, albeit further work may be required on this to ensure compliance with the judge's findings in the Common Issues judgment.



Operational Improvements

49. **NRF Review** - Since the Common Issues Trial Judgment in March 2019 extensive work has been undertaken to review and change processes relating to how we support branches. The review covered the Postmaster lifecycle from onboarding and training through to contract end, including how we support branches, recover losses and manage disputes.
50. Improvement activities have been in progress for over 2 years within Operations and Retail as Business As Usual (BAU), with specific activities now directed and governed by the Post GLO Settlement Programme. An independent review of all the changes made since March 2019 has been completed by Norton Rose Fulbright (NRF). Their report, published on 22 June, gives recognition to the significant improvements already made and in progress, and provides 34 recommendations for Post Office to prioritise to ensure full compliance with the Judgment. The majority of the recommendations will be planned and managed in BAU. The high priority recommendations were already in progress within the PGLO Programme and NRF reinforced the requirement to deliver.
51. **Training** - Planning is underway to train all Postmaster facing teams on the latest changes resulting from a review of onboarding and training materials, as well as reinforcing the training provided in 2019 to teams such as Audit and Contracts who were immediately impacted by changes as a result of the Judgment. Once the training is complete, a further audit will take place in the autumn to assess how well we have embedded the changes in our processes and through our people. It should be noted that the majority of processes are already embedded in Branch Support and Loss Prevention, so this is for completeness across the full end to end support structure.
52. **A Postmaster Support Guide** has been produced in collaboration with NFSP. This translates the terms imposed by the judgment into accessible and supportive language to explain Post Office's commitment to support Postmasters run their branch effectively and what we ask of them in terms of good operational practice. This guide is now in production and will be referenced as positive evidence that we've taken on board the key criticisms from the Judgment as part of the 'We're stronger together' events starting in July.

Contract Restatement

53. At the Board session on 25 June 2020 the outline approach to Contract restatement communications launch was approved.
54. A weekly countdown plan is now in place to ensure that all activity underway completes ahead of launch, planned during July, to include:
 - a. an explanation to postmasters about the changes made to 3 key contract types to reflect the GLO judgment. This will be issued via an article on One and an existing weekly news email; postmaster queries to be directed to area managers initially
 - b. bringing the new versions of the template contracts which have been updated to reflect the Judgment as faithfully as possible (and make no other changes) into use for new postmasters who are in the onboarding pipeline. Illustrative mark ups have been prepared of the 3 main contract types and changes will be replicated across to others on an 'as required' basis.
 - c. bringing newly amended Operations Manuals into use for new postmasters as above (the Operations Manuals are issued 2 weeks after the contract)
 - d. rollout to internal teams of 3 approved policies for Contractual Performance, Suspension and Termination



- e. the internal launch of the Postmaster Support Guide via the Branch Hub, and upload to the corporate website. The Guide sets out our obligations to postmasters and the support POL provides, together with what we ask of postmasters in return and who to contact with issues. The Guide is now with a PR and design agency to develop look and feel.

Contract Reform

55. At the Board session on 25 June 2020 an update on the approach re: Contracts was provided by [REDACTED] and a decision was taken to accelerate the Contract Reform work.
56. This work had previously been targeted as a future activity outside the scope of the workstream due to potential dependencies on other strategic work being clarified and additionally on the approach re: Starling being determined and dependencies resolved
57. Funding of [REDACTED] is now required to accelerate the Contract Reform initiative as part of the Operations workstream. The initial request to cover four months funding was approved at PGLO SteerCo on 1 July 2020 and will cover an interim Head of Contracts SME, Legal support and a Contract Reform Project manager. This will now be progressed as a Change request to secure funding from PRB/IC, in order to produce a Business Case to address this requirement
58. A number of firms were initially approached to provide proposals to support the Contract Reform Programme ('CRP'); following the receipt of several submissions the preference is to proceed with the proposal provided by Norton Rose Fulbright ('NRF'). It is important to note that the fees, timeframes and scope contained within their proposal may be subject to change as the CRP progresses, however regular updates will be provided as appropriate to ensure changes are managed effectively
59. NRF's proposal splits the CRP into four clear phases over a period of eight weeks with an estimated budget of [REDACTED] (excluding VAT), this estimation is based on hourly rates and estimated average weekly hours over the course of the full eight weeks
60. An initial kick-off meeting would occur to establish a detailed scope for next steps, however at high level the current proposal includes the following phased approach:
 - a. **Phase 1** - Review of existing agreements, arrangements and supporting documentation across the Post Office network to establish a general list of strategic decisions relating to the CRP including those:
 - i. required to be made by Post Office as a response to the Common Issues Judgement; and
 - ii. that Post Office may choose to make from a commercial or contractual perspective
 - b. This will enable NRF to fully analyse potential impacts of the different approaches to contractual reform that will be considered in subsequent phases.
 - c. **Phase 2** - Plan and facilitate sessions for key stakeholders to communicate what changes are required as a result of the Judgments and to understand stakeholder commercial/business objectives. Stakeholders will be taken through the different approaches, where contract amendments may be required at a thematic level and invited to share their views on these decisions and discuss the pros and cons of each.
 - d. **Phase 3** - Hold a session with the internal CRP internal working group to establish and confirm the business/commercial objectives for Post Office using



information provided during Phase 3 Sessions; the outcome of which will be used to inform Phase 4.

- e. **Phase 4** - In advance of the September Board meeting, NRF will assist in providing a report that proposes several options, the advantages/disadvantages of each and any recommendations.

Communication Workstreams

Historical Shortfall Scheme Comms

- 61. The scheme continues to be included in much of the media coverage on GLO related issues. Internal and external 'reminder' communications is being issued before the scheme closing date, with further press advertising taking place mid-July. The total number of applications is being published weekly on our website each Thursday and publication of additional data to boost transparency further is under discussion as th

CCRC Comms

- 62. Communications for the CCRC's decisions on the remaining seven cases – expected in August - are ready and will follow past practice, with details of the Post Office's proactive actions regarding historical criminal cases underlined. The corporate website is being kept updated with developments, including Post Office's application to the Court of Appeal for extension.

BEIS Select Committee

- 63. The Committee has now completed taking evidence (the second session was undertaken by correspondence, including questions to Post Office CEO). Their report is awaited (expected to likely be before recess and ahead of the Government review)

Justice Committee

- 64. The Justice Committee is holding a short inquiry, at the behest of the CCRC, into potential additional safeguards for private prosecutions where the victim is also the investigator and prosecutor. Although Post Office cases were the catalyst for the CCRC's approach to the Committee, the inquiry is about broader potential law reform in the area of private prosecutions. However, there is overlap between the issues being examined by the Committee and those that will be considered by the Court of Appeal Criminal Division in the Post Office appeal cases in determining whether abuse of process has occurred. We are therefore submitting a letter in written evidence stating that because of this it is not appropriate for Post Office to comment, but providing our current position regarding prosecutions (not to undertake any private prosecutions) and information about our new loss prevention approach, as well as the work being undertaken with the CCCR and our PCDE regarding historical convictions.
- 65. At the time of writing, confirmed oral evidence witnesses are Second Sight and the Private Prosecutors Association but we understand that various other witnesses from the legal field are being invited.

Government Review

- 66. The Government review is expected to start in September once a Chair is appointed. Campaigners and MPs across the House are continuing to call for Judge-led public inquiry.



Post Office continues to be clear that the business will proactively engage with any inquiry HMG deems appropriate.

67. There continues to be some media interest, driven most recently by the Select Committee publication of evidence from former Post Office CEO and by the continued campaigning for a Judge-led public inquiry.
68. The JFSA is crowdfunding for legal support to assist appeals for postmasters with past convictions (Hudgells) and to take forward a complaint with the Parliamentary Ombudsman.
69. Our engagement and responses regarding external stakeholders continue to centre on the current actions being undertaken to address the past and reform the future.

Managing Liabilities Arising from GLO Related Matters and Project Starling

70. A separate paper has been produced, setting out options available to Post Office along with a recommendation and is covered by a specific GE/Board agenda item.

Budget Update

71. The below Change Request covers the latest forecast for the next two financial years – and shows the forecast cost increase from the initial Prove Plan. This was approved at Investment Committee on 8 June 2020, to provide initial funding to the end of September 2020, at which point a Business Case will be brought back to Board.

INVESTMENT REQUEST:	£19.9m additional exceptional spend to progress to Business Case at Board on 22 September 2020.
KEY FACTS:	Estimated costs have increased significantly from original Prove case submitted in April 2020 (£4.92m approved). Approval of the CR will enable the continuation of project team, legal, finance, comms and business SME's aligned to the programme workstreams.
COMMENTARY:	Rationale for increase: 1. CCRC / Prosecution Disclosure activity, 2. Independent Panel costs, 3. Additional scope including projects Basil, Brisbane and PMR Complaints, 4. Delay to Historical Shortfall Scheme launch / closure (approved by Board), 5. Mitigation for Covid-19 impact on Historical Shortfall Scheme. N.B. Costs now to end September (Prove Plan was to end July)

Post GLO Settlement Programme Costs		Financial Year		20/21		21/22		Total	Prove Plan	Cost
		Legal	Other	Legal	Other	Programme	Totals			Increase
1. CCRC/Prosecution Activity		12,099	1,408	4,772	598	18,877	3,427		15,450	
Subsequent Conviction Claims		-	-	6,368	-	6,368	-		6,368	
2. Historical Shortfall Claims		9,077	11,055	3,644	10,848	34,624	30,894		3,730	
3. Settlement Agreement Compliance		845	93	-	-	938	348		590	
5. Fujitsu Potential Claim		257	-	212	-	469	-		469	
6. Contracts Restatement		410	33	-	-	443	44		399	
7. Operational Improvements & 8.Stamps & Stock		271	834	-	-	1,105	1,177		(72)	
9. Other (incl. Brisbane, Basil, general advice)		3,428	-	2,267	-	5,695	-		5,695	
		26,387	13,423	17,263	11,446	68,519	35,890		32,629	

N.B. These figures include an estimate of £18n scheme settlement payments

Workstream	Additional cost to end Sept (£m)	Addit. Total Prog. cost (£m)	Explanation
CCRC	9.8	15.5	Disclosure is required re: up to 959 historical convictions - P&P are carrying out a review of c.50k documents associated with these convictions, in preparation for them being referred to the Court of Appeal
Subsequent Conviction Claims	-	6.4	Additional HSF costs to support future claims in relation to historical convictions
Other costs – general advice	3.0	5.7	Additional work by HSF to cover Board requested work on Historical GLO Management, Project Basil, Insolvency & General Advice
Historical Shortfall Scheme	6.5	3.7	Delay to the Scheme launch date and an extension to the Scheme close date
Contracts Restatement	0.4	0.4	Additional legal costs to support contract review work and implementing compliant updates to the Operations manuals
Fujitsu Potential Claim	0.2	0.5	Additional legal advice to cover a potential legal claim against Fujitsu
Total	19.9	32.4	

72. As Operational workstreams confirm initial scope, a Business Case will be produced, with a target of updating PRB during July 2020.
73. Additional items of scope as highlighted previously in this paper have been identified covering Contract Reform and to confirm additional requirements arising from the Horizon Issues Judgment have been identified and work is in progress to scope these pieces of work and determining cost.
74. Similarly, further items of scope required either as a result of SteerCo request, Board request, or to respond to external events (e.g. Inquiry) will be managed via Change Request to understand costs and timescales



Programme Costs – Update for Noting

75. Additional items of scope as highlighted previously in this paper have been identified covering Contract Reform and to confirm additional requirements arising from the Horizon Issues Judgment have been identified and work is in progress to scope these pieces of work and determining cost. Additional items of scope/cost have additionally been highlighted which now require funding to the end of September 2020.
76. Current Approved spend to cover Prove Plan work and production of Business Case at the end of September 2020: [REDACTED] approved at PRB/IC in May/June 2020
77. Current committed spend to end September 2020: [REDACTED] m
78. New items of scope/additional estimated costs to end September amount to a total of [REDACTED], which is made up as follows:
 - a. Consilio Scanning costs associated with CCRC workstream - [REDACTED]
 - i. Scanning costs were not previously highlighted by WBD. These have now been forecast and have additionally increased in line with the increased volume of previous convictions cases discovered
 - b. Managing Liabilities workstream - [REDACTED]
 - i. A new workstream to investigate and plan alternate organisational/structural approaches to managing the impact of the Post GLO work on the organisation and to provide funding to cover historical litigation activities associated with Judgments/GLO and Starling
 - c. Contract Reform acceleration - [REDACTED]
 - i. Work agreed with Board to initiate the Contract Reform workstream as a new item of scope and determine initial costs/approaches
 - d. Support for POL Legal Team/Backfill - [REDACTED]
 - i. Additional backfill and support has been required due to the significant impact of the workload on the POL legal team
 - e. [REDACTED]
 - f. DSAR Team resource support - [REDACTED]
 - i. Due to additional DSARs generated in relation to Historical Shortfall Scheme
 - g. QC work in relation to limitation of liability - [REDACTED]
 - i. The provision of a written advice note by QCs in relation to limitation & liability and deliberate concealment in the context of claims brought under the Scheme
 - h. Horizon Issues Judgment (HIJ) workstream - [REDACTED]
 - i. The initiation of a workstream to address criticisms outlined in HIJ and work to understand the impact on IT, IT controls, Operational controls and Financial controls
 - i. CRT team manager backfill - [REDACTED]
 - i. To cover cost of a larger volume of cases coming into Historical Shortfall Scheme than anticipated
79. A Change request highlighting this additional funding is also being progressed via PRB/IC.
80. A separate paper has previously been presented to Board to cover the Programme approach to cost challenges, including highlighting the cost of additional requests/additions to scope, cost savings to date and further proposed approaches to cost reduction



Next Steps & Timelines

The key next steps on these matters include:

Governance:

- 81. Weekly Post GLO Settlement Programme Steering meetings will continue to be held, chaired by Nick Read and consisting of a subset of GE and GE-1 members who are tasked with sponsorship of workstreams covering actions in their areas
- 82. Weekly Board updates on the impact of the CCRC decision will additionally be held/provided as necessary to ensure appropriate oversight
- 83. Monthly updates to GE and regular Board updates will continue
- 84. Finance reviews re: Provisioning approach for settlement amounts will be held on a monthly basis

CCRC:

- 85. External solicitors will progress the PCDE as quickly as possible in order to identify whether there is any material that might support the CCRC's abuse of process argument.

Historical Shortfall Scheme:

- 86. Understanding the quantum and type of claims received based on daily and weekly MI to develop our understanding of likely exposure
- 87. The investigation of claims will continue in order that assessments can be considered by the independent panel
- 88. Consideration of expedited claims will be progressed.



Appendix 1

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21 April 2020

Brian Altman QC

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Appendix 3 – MI Dashboard CCRC / PCDE

PETERS & PETERS – ONGOING WORKSTREAMS					
WORKSTREAM	JULY BUDGET	ACTIVITY	TASK	MILESTONE	RAG STATUS
1 – PCDE REVIEW (CURRENT PCDE NUMBERS: 'CONFIRMED' CASES = 526 TOTAL POTENTIAL CASES: 905)	£983k + Consilio Costs (£130k)	CACD / CROWN COURT REPRESENTATION	DRAFTING CASE SUMMARIES	31 MAY 20	COMPLETE
			DRAFT & SUBMIT EXTENSION OF TIME TO CACD – EXTENSION GRANTED TO 2 OCT 2020	2 JUL 20	COMPLETE
			ANALYSIS OF STATEMENT OF REASONS & ADVICE TO BOARD – FURTHER ADVICE	9 JUL 20	COMPLETE
			RESOLVE POSITION WITH CROWN COURT RNs – ADVICE AWAITED FROM COUNSEL	3 AUG 20	ON TRACK
			TEST CASE – INFORMATION RECEIVED FROM FUJITSU REGARDING WHETHER TEST CASE IS VIABLE	31 JUL 20	AT RISK
		HISTORICAL CASES, CCRC APPLICANT & CoA REFERRAL REVIEW	STAGE 1 - ONGOING LIAISON WITH CONSILIO RE UPLOAD OF HARD COPY DOCUMENTS	15 AUG 20	ON TRACK
			STAGE 2 - REVIEW OF AVAILABLE HARD COPY MATERIAL FOR CATEGORIES 2 – 9		AT RISK
			STAGE 2 - REVIEW OF AVAILABLE ELECTRONIC MATERIAL FOR CATEGORIES 2 – 9		AT RISK
			STAGE 2 - PRE & POST-2012 EMAIL DATA		AT RISK
			STAGE 2 - IDENTIFYING OTHER RELEVANT ELECTRONIC DATA (LAPTOPS; ONEDRIVES ETC)		ON TRACK
			STAGE 3 - SECOND LEVEL REVIEW	31 AUG 20	ON TRACK
			STAGE 4 - ADVICE TO BOARD RE HISTORICAL CONVICTIONS	31 AUG 20	ON TRACK
			MATERIAL SOUGHT FROM THIRD PARTIES (E.G. CARTWRIGHT KING PRE 2012)	ONGOING	ON TRACK
2 – ONGOING CASES & POLICIES	£109k	ONGOING (BAU) CASES	LIAISON WITH THE BUSINESS REGARDING ONGOING CASES (AND NEW ISSUES ARISING)	ONGOING	ONGOING
		POLICIES	COOPERATION WITH LAW ENFORCEMENT POLICY – DRAFTED PENDING APPROVAL	31 JUL 20	ON TRACK
3 – MGT & OVERSIGHT	£249k	PROJECT MANAGEMENT & LEGAL ADVICE	METROPOLITAN POLICE ACCESS TO GROUP LITIGATION BUNDLES	12 JUNE 20	COMPLETE
			MALICIOUS PROSECUTION ADVICE – ONGOING REVIEW AND LIAISON WITH HSF/COUNSEL	31 AUG 20	ON TRACK
			CRIMINAL ADVICE RELEVANT TO HISTORIC SHORTFALL SCHEME (E.G. RESTRAINT ORDERS)	ONGOING	ONGOING
4 – GENERIC DISCLOSURE REVIEW (FORMERLY THE NON-CASE SPECIFIC REVIEW)	£434k	KNOWLEDGE OF PROBLEMS WITH HORIZON ("CAT 1")	REVIEW AND ANALYSIS OF DOCUMENTS AND EMAILS RELEVANT TO POST OFFICE'S KNOWLEDGE OF PROBLEMS WITH HORIZON	31 SEP 20	ON TRACK
		POL/RMG INVESTIGATION & PROSECUTION POLICIES ("CAT 2")	REVIEW AND ANALYSIS OF HISTORICAL PROSECUTION/INVESTIGATION POLICIES - DRAFTED	31 SEP 20	ON TRACK
		CONDUCT OF INVESTIGATION & PROSECUTION TEAMS ("CAT 3")	REVIEW AND ANALYSIS OF INFORMATION DERIVING FROM THE PCDE AND WHETHER ANY CONDUCT MIGHT OR DID AMOUNT TO AN ABUSE	31 SEP 20	ON TRACK

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Appendix 3 ctd. – MI Dashboard CCRC / PCDE – Explanatory Notes – 23 July 2020

1. To ensure that the explanatory notes are as useful as possible, we only deal with those issues which are presently “at risk”.

2. Fujitsu Test Case:

- a. We had a further productive call with [REDACTED] on 16 July 2020, in which they indicated that they would provide:
 - i. A list of all of the 29 Bugs, Errors or Defects identified by [REDACTED] in the Horizon Issues Judgment, and a preliminary indication (together with a reason) as to why Fujitsu is able or unable to provide a data footprint/pattern for that Bug, Error or Defect. [REDACTED] has indicated that Fujitsu will be in a position to provide this on 17 July 2020, which was confirmed on 16 July call: the preliminary view is that 10 of the bugs will be able to be patterned and the remainder Fujitsu will be unable or unlikely to be able to do so.
 - ii. As a consequence of this, it is doubtful that the Test Case exercise will be able to be performed, although we will keep this situation under review in light of the Crown Court cases (in which any cases the Board decide to oppose, there would have to be a re-investigation/re-hearing). This will be confirmed once we have counsel’s advice in relation to the approach to be taken in the Crown Court cases and Fujitsu’s written confirmation as to how many bugs are able to be patterned.
 - iii. Fujitsu has indicated that it will be in a position to provide data on 17 July 2020 and into w/c 20 July 2020, in any event. Additionally, Help Service Desk logs have been requested and Fujitsu has already started to collate these.

3. Ongoing Cases

- a. P&P has been working on c.40 “live” cases in which POL Security was assisting the police/CPS. The Security Team has now informed P&P of c80 additional “live” cases, albeit the majority do not yet have trial dates. This has resulted in a potential doubling of workload on Workstream 2 (“Ongoing Cases”).
- b. This has been placed “at risk”, only to notify SteerCo of this increase in workload.

4. Pre and Post 2012 Email Data:

- a. Post 2012 Email Data: There have been technical difficulties on the part of the eDiscovery providers which have prevented the transfer of post-2012 email data for review. We continue to monitor this situation.
- b. As these emails are only for 2012 onwards, the review of these emails have been deprioritised (as the emails for pre-2012 are not able to be retrieved, which would have spanned the vast majority of our relevant period of 1999 to 2013). Consequently, whilst these will be reviewed, they are no longer a priority and will be reviewed in a “wash up” exercise following disclosure being made to the appellants



Appendix 3 ctd. – MI Dashboard CCRC / PCDE – Explanatory Notes – 23 July 2020

- c. in late August 2020/early September 2020. We will work with POL to devise a new appropriate milestone for this exercise.

5. First Level Review of Electronic and Hard Copy Material for PCDE

- a. We now move into a critical period in order to complete the PCDE review by the current milestone of 15 August 2020. However, we also move into the July/August 2020 holiday period and similarly as the courts are now open and trials are re-starting, a significant number of the reviewers have indicated that they will not be able to commit to the requisite hours needed over the next five weeks in order to push the review forward as quickly as possible.
- b. We are attempting to mitigate this issue by requesting a “core team” of reviewers to commit to undertaking more hours over the next five weeks, and similarly streamlining the review to only review high priority material that is necessary to review in order to advise the Board. We have also sought additional reviewers for this critical period.
- c. Consequently, whilst we hope that this milestone will not be moved, we have placed it at risk this week to reflect the current pressures on the PCDE review and current review trends.

6. Additional Hard Copy Material

- a. Prior to P&P’s involvement, a disclosure exercise was undertaken by POL and third party lawyers to the CCRC for a number of individuals who had referred their cases to the CCRC. The Security Team provided hard copy material for that exercise, which was thought to be the extent of hard copy material for those individuals.
- b. As part of the upload of hard copy material for first level review, further hard copy material has been identified for some of the appeal referrals (including one file which contains 2,000 documents for Jo Hamilton). Urgent work is being undertaken to review this material and assess whether there is anything additional that needs to be factored into the Case Summary for this individual, and consequently whether it affects the advice already provided to the Board for that individual.
- c. Additionally, the Security Team has also identified numerous “sacks” and “tubs” of material, some of which relates to appeal referrals. Work is being undertaken to assess whether or not (from a cost/proportionality perspective) it is necessary to upload and review this material. However, if thought appropriate to upload, this will be an additional cost and have implications on review milestones.



Appendix 3 ctd. – MI Dashboard CCRC / PCDE – Explanatory Notes – 23 July 2020

Categories of Individuals in the PCDE

7. By way of reminder, please see below an explanation of the Categories of Individuals in the PCDE:

Category	No. of Individuals	Date Ranges	What type of case is included?
1	52	Various	CCRC/Appeal Cases (now minus those led by the DWP or CPS)
2	86	2010 – 2013	Audit Shortfall/Horizon/POL Prosecuted Cases
3	144	2006 – 2009	Audit Shortfall/Horizon/POL Prosecuted Cases
4	82	2002 – 2005	Audit Shortfall/Horizon/POL Prosecuted Cases
5	159	1999 - 2001	Audit Shortfall/Horizon/POL Prosecuted Cases
6	38	2010 – 2013	Cases that might be in the PCDE as they appear to be Horizon related and it appears POL prosecuted but they are not necessarily audit shortfall cases
7	64	2006 – 2009	As above
8	104	2002 – 2005	As above
9	166	1999 – 2001	As above
10	131	Various	CPS/Non branch/Non Horizon Related Cases – Out of Scope of PCDE
11	98	Various	Scottish & NI prosecutions – Out of Scope of POL's PCDE

Current PCDE Numbers:

- Confirmed cases: 523;
- Potential cases: 372;
- Currently potentially within scope: 895.

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Appendix 4 – Historical Shortfall Scheme MI

Actual Reporting as at 21 July 2020

New claims received since last report on 17 July		
New claims received	8	
	Number	Approximate Value (£)
Fully unquantified claims	4	-
Fully quantified claims	1	£3,000.00
Partially quantified claims (where the Claimant has quantified some, but not all of the heads of loss they are claiming for)	10	£629,121.17
Claims since the scheme opened		
Total number of claims received	808	
	Number	Approximate Value (£)
Fully unquantified claims	189*	-
Fully quantified claims	234	£5,121,615.22
Partially quantified claims (where the Claimant has quantified some, but not all of the heads of loss they are claiming for)	385	£15,903,722.75
Total fully quantified claims and partially quantified claims	619	£21,025,337.97

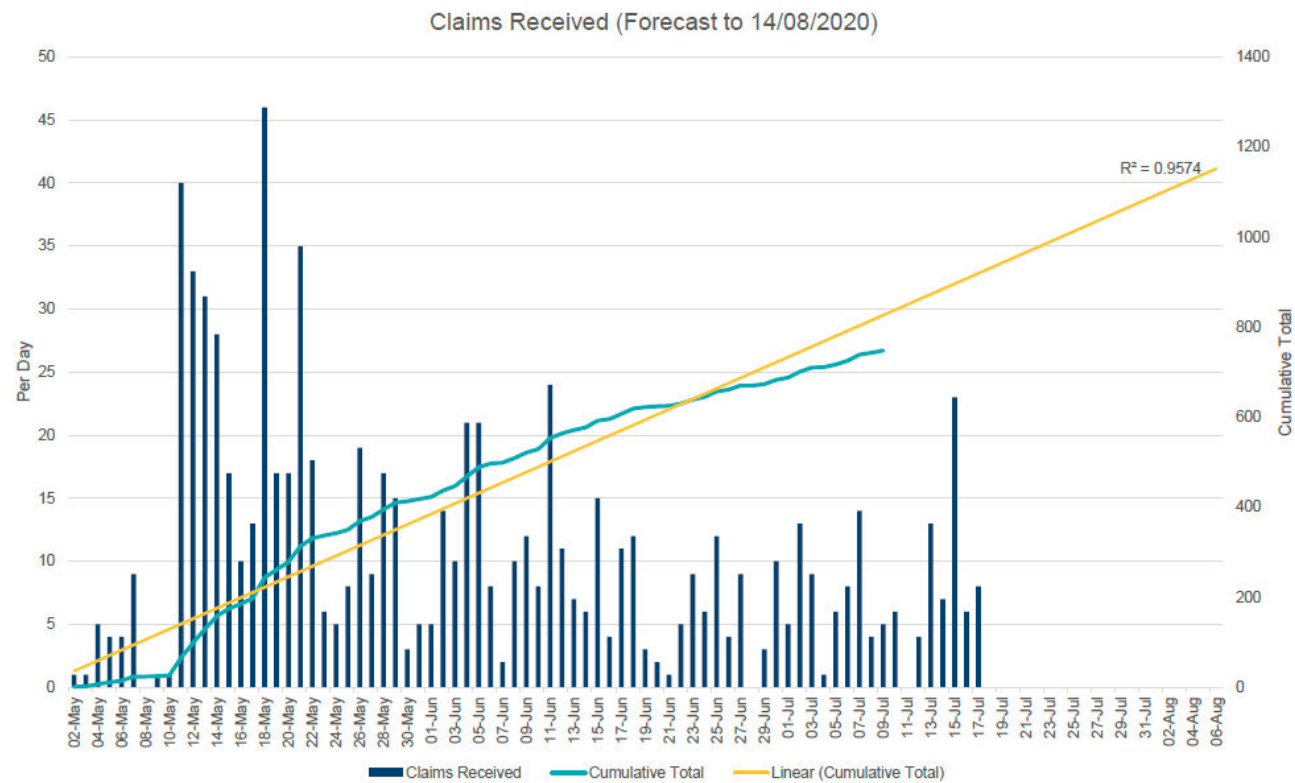
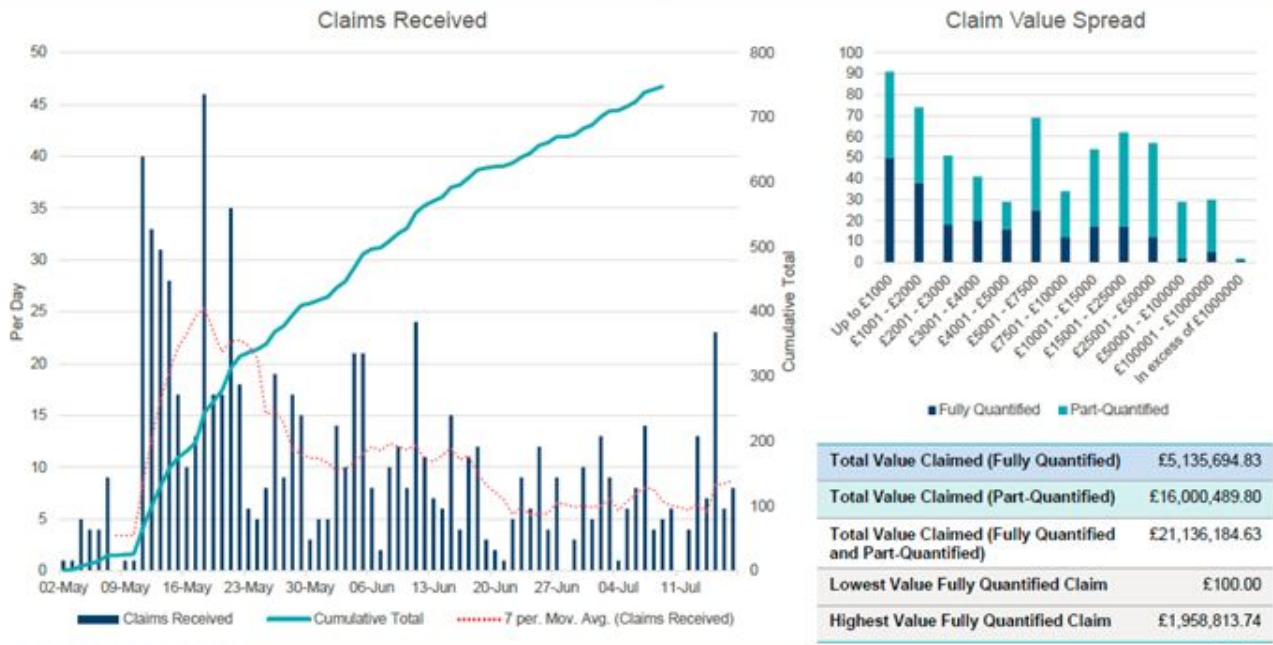
*Not all of applications received have been allocated yet, so the number of unquantified claims will likely change once the information is logged onto the system.

Fully Quantified claims – range of value	
Lowest	£100.00
Highest	£1,958,813.74



Appendix 5 - Historical Shortfall Scheme MI – Weekly

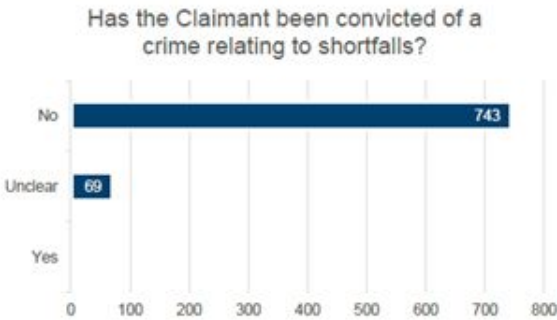
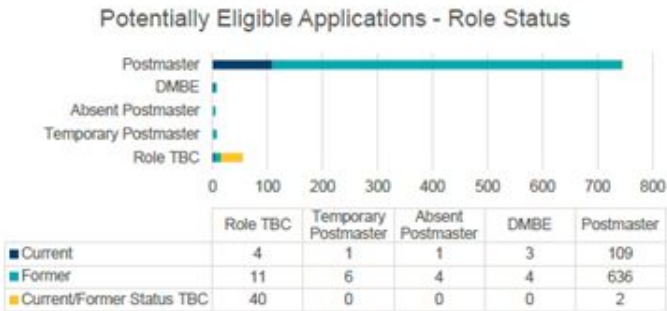
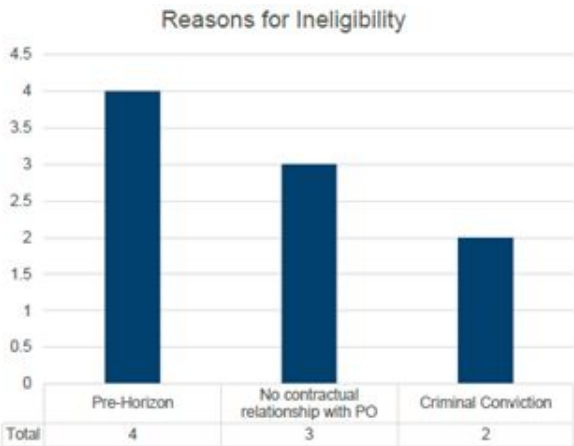
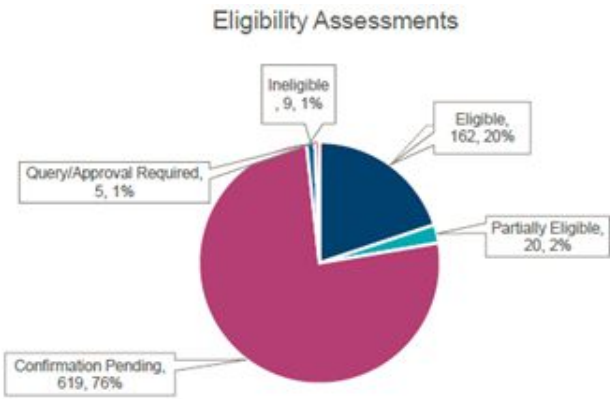
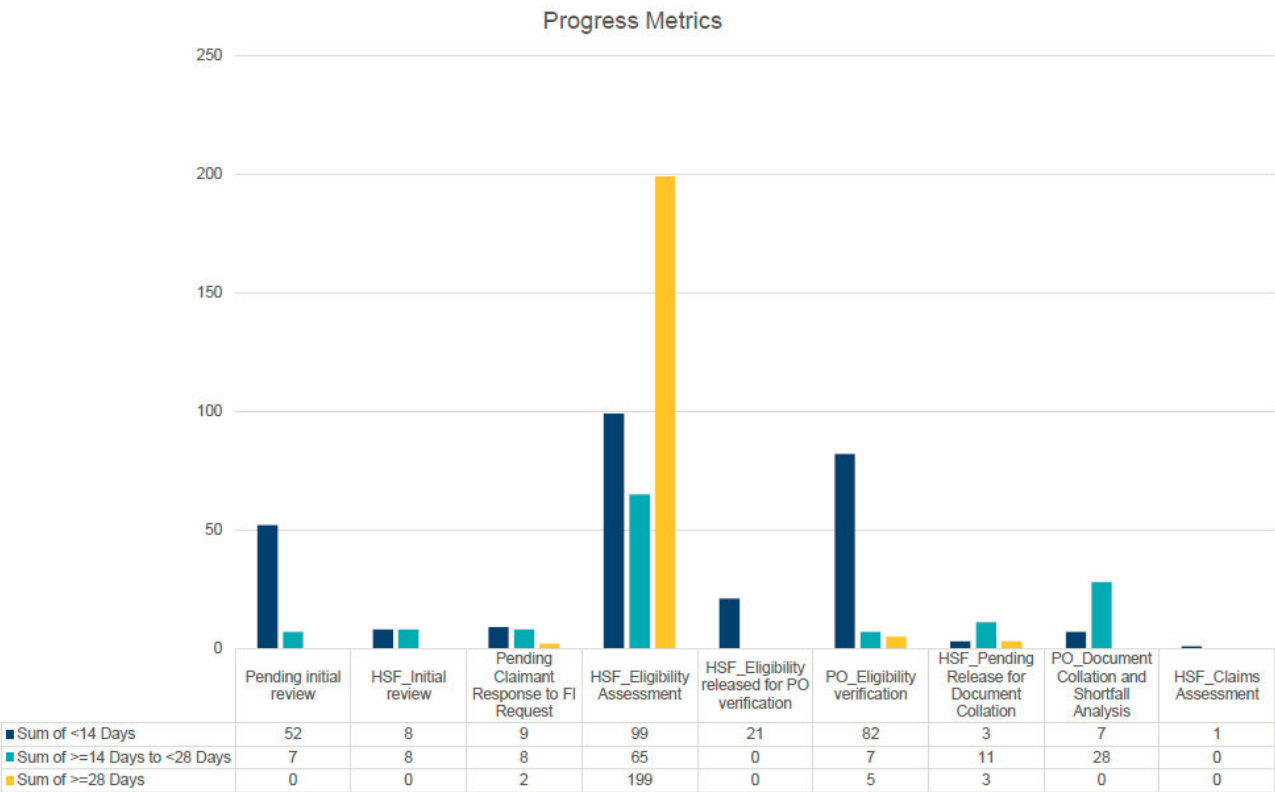
Total number of claims received since last reporting period	70	Claimants Currently in Post	116
Total number of claims received to date	815	Claimants Formerly in Post	657



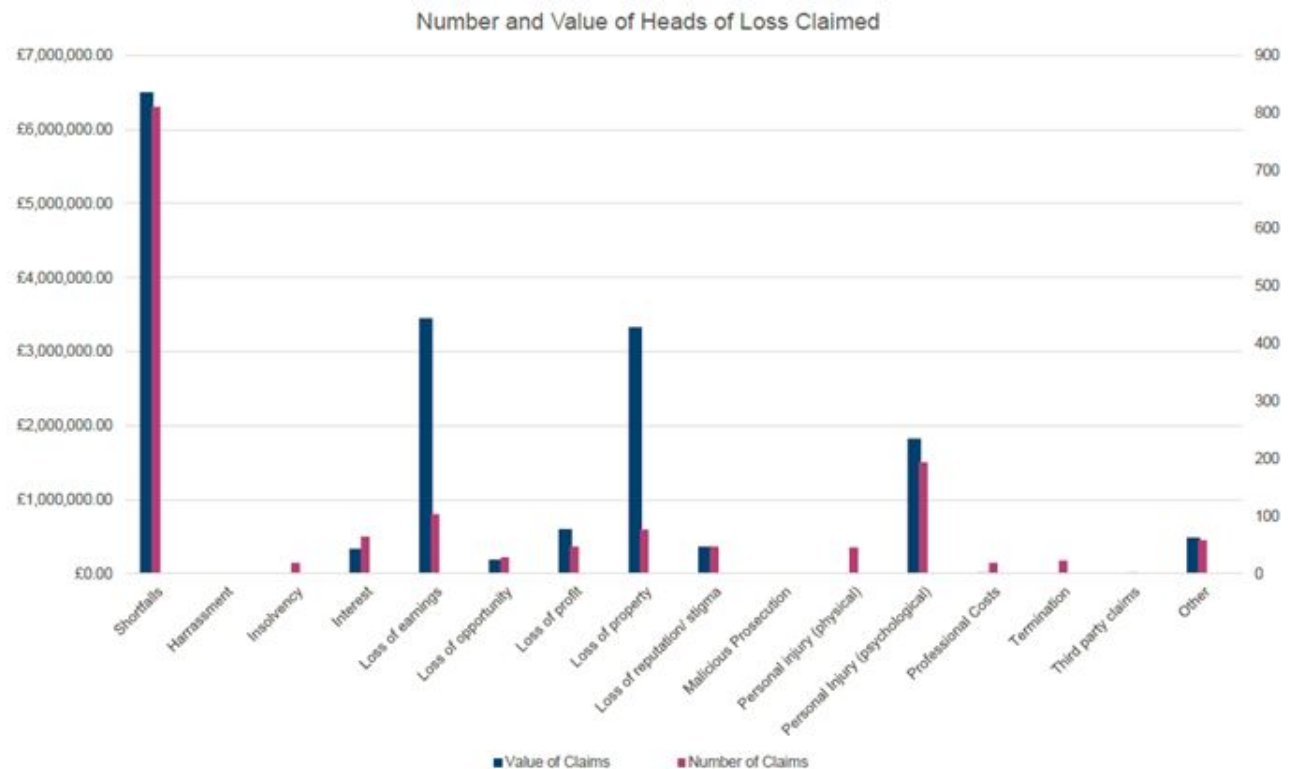


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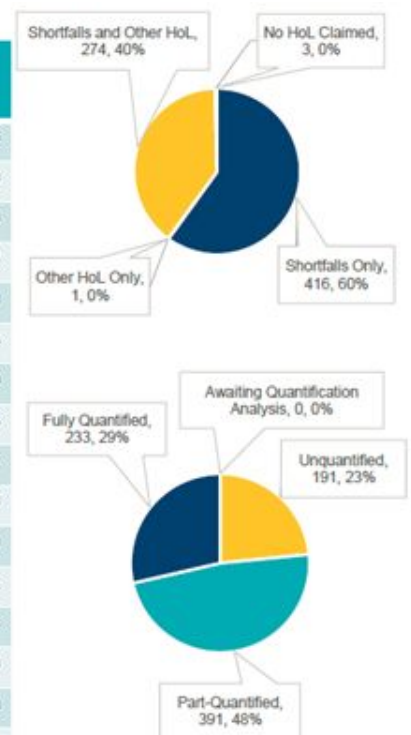
Appendix 5 ctd. - Historical Shortfall Scheme MI – Weekly



Appendix 5 ctd. - Historical Shortfall Scheme MI – Weekly



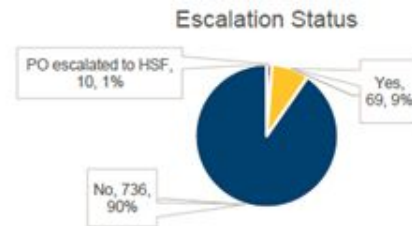
Head of Loss Claimed	Value of Claims	Number of Claims Under Head of Loss	Number of Claims Quantified Under Head of Loss
Shortfalls	£6,501,045.56	811	536
Harassment	£0.00	0	0
Insolvency	£0.00	19	0
Interest	£343,372.43	65	13
Loss of earnings	£3,452,661.00	104	30
Loss of opportunity	£195,000.00	29	3
Loss of profit	£605,700.00	48	9
Loss of property	£3,331,868.75	77	26
Loss of reputation/stigma	£370,000.00	48	2
Malicious Prosecution	£0.00	2	0
Personal injury (physical)	£0.00	46	0
Personal Injury (psychological)	£1,830,000.00	194	2
Professional Costs	£19,720.50	19	5
Termination	£0.00	23	0
Third party claims	£0.00	3	0
Other	£490,586.97	59	15



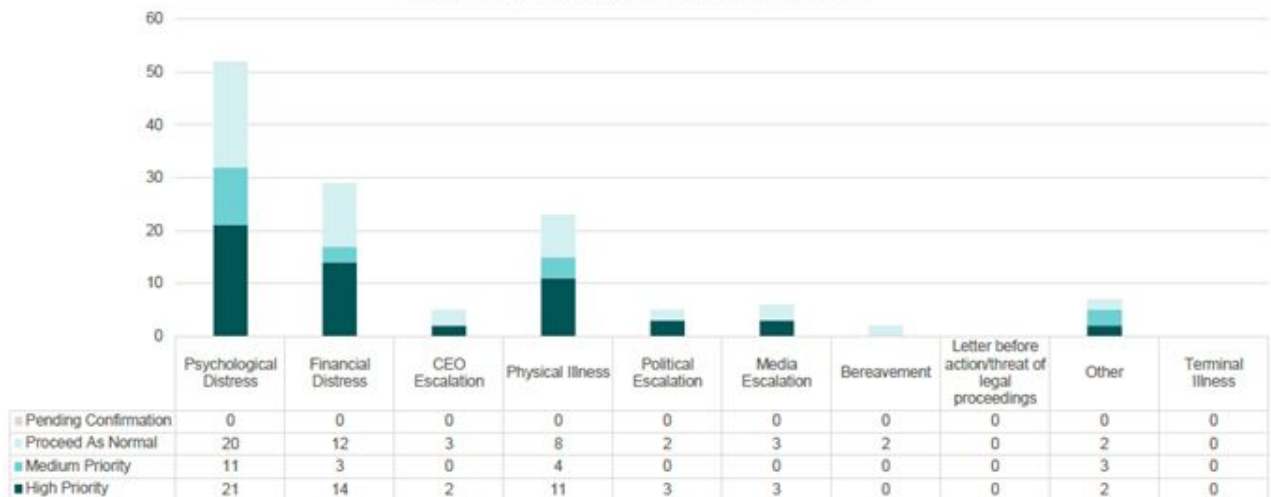
Strictly Confidential

Appendix 5 ctd. - Historical Shortfall Scheme MI – Weekly

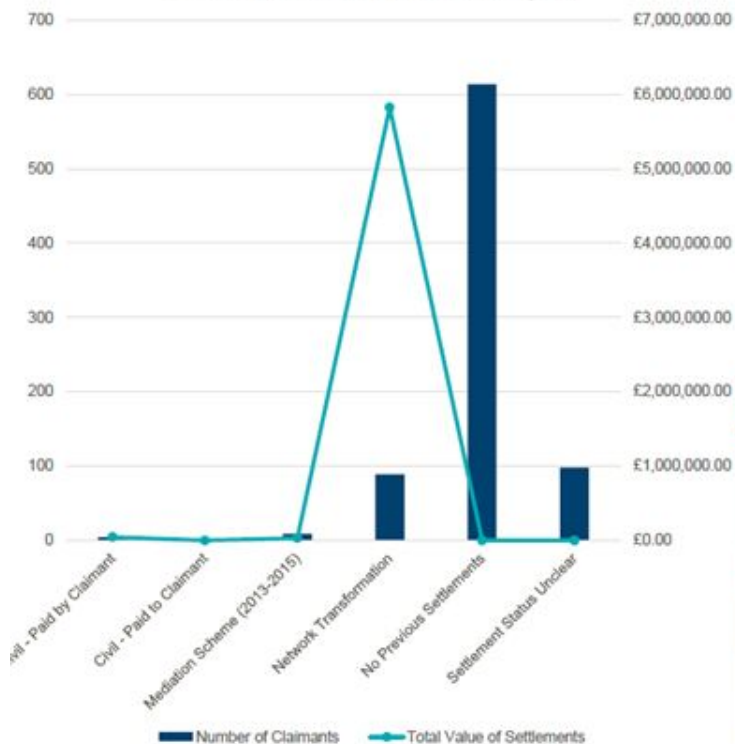
Total Number of Escalations	79
High Priority	27
Medium Priority	14
Proceed As Normal	38
Pending Confirmation Of Priority Status	0
Total Number of Non-Escalation Claimants	736



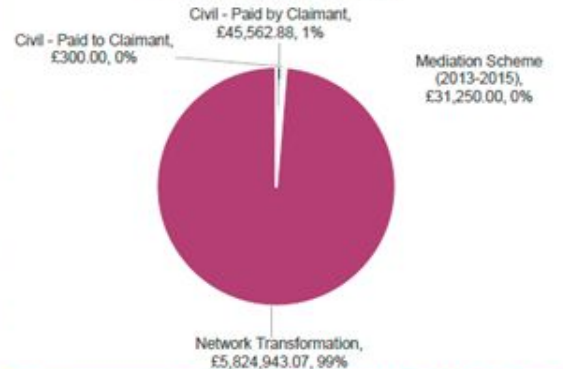
Reasons for Escalation and PO Prioritisation



Previous Settlement Scheme Analysis



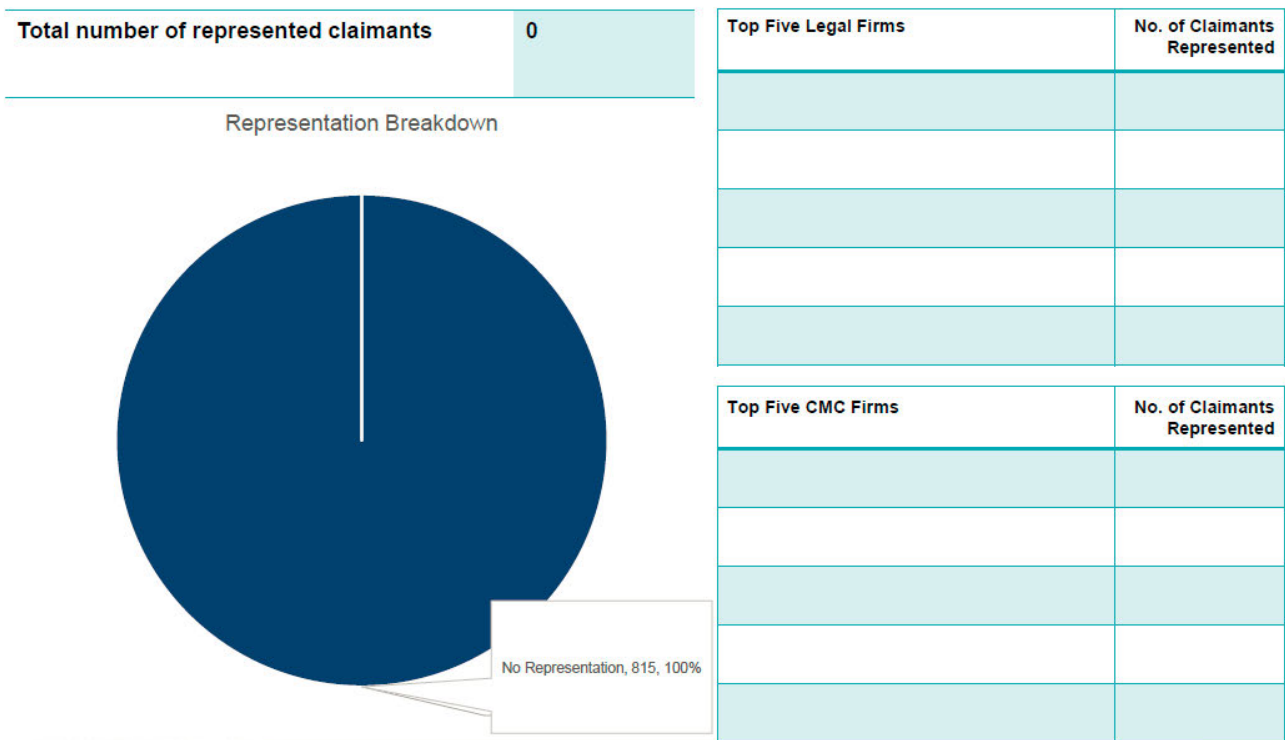
Total Settlement Values



Category	Number of Claimants	Total Value of Settlements	% Grand Total
Civil - Paid by Claimant	4	£45,562.88	0.77%
Civil - Paid to Claimant	1	£300.00	0.01%
Mediation Scheme (2013-2015)	9	£31,250.00	0.53%
Network Transformation	89	£5,824,943.07	98.69%
No Previous Settlements	614	£0.00	
Settlement Status Unclear	98	£0.00	



Appendix 5 ctd. - Historical Shortfall Scheme MI – Weekly



Version of Horizon	No. of Claimants
Legacy	535
HNG-X	258
HNG-A	41
Horizon Online	258
TBC	169

Shortfall Loss Explanation	Number of Claimants Alleging
Stamps	18
Third party accessed Horizon	5

Settlement of claims	Amount
Total amount claimed	N/A
Value of settled claims	N/A
Difference in amount claimed and settled amount	N/A

Costs Categorisation	No. of Claims
Category 0	0
Category 1	405
Category 2	220
Category 3	156
Out of Scope	21
Cost Category TBC	4

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Appendix 5 ctd. - Historical Shortfall Scheme MI – Weekly

Multiples’ Claim Tracking

Please note, data currently not captured on Relativity.

Total Potential Value	£9,483,118.70
Name of Commercial Partner	
Potential Value of Claims	
McColl's	£9,483,118.70
Co-op	(TBC)



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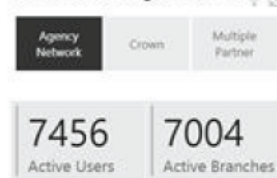
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Appendix 10. -Branch Hub Registrations and Knowledge Articles

The charts below show the usage of Branch Hub by Agency branches i.e. excluding Multiple partners and Directly Managed Branches.

Branch Hub Registrations



Registrations by Date



Last Updated: 6/19/2020 1:00:45 PM

% of Users Registered by Region

RSM Full Name	Registered Users	Branches
	34%	725
	33%	673
	32%	715
	32%	903
	32%	812
	32%	766
	30%	706
	29%	814
	29%	22
	29%	918
Total	31%	7054

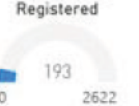
Branches Registered



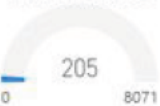
Managers Registered



Supervisors Registered



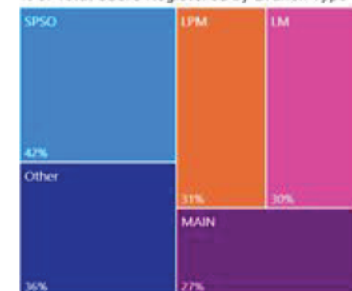
Clerks Registered



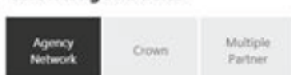
Users returning visits



% of Total Users Registered by Branch Type

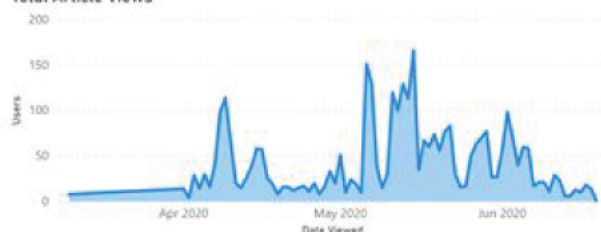


Knowledge Articles

3397
Total Views46
Articles Accessed1655
Users Accessed1730
Branches Accessed

Articles are tracked by user views. If a user works in 2 branches, then this would count both branches.

Total Article Views



Top 5 Categories



Top 10 Articles Viewed

Article	Views
Back Office - Transaction Corrections - General Process v1.0	683
Back Office - Horizon Online Reversals - Counter Procedure v1.0	520
Accounting and Despatch - Weekly & Monthly Stock Unit Accounting - Counter Procedure v1.0	433
Accounting and Despatch - Daily Weekly Monthly Reports - General Information	368
Accounting and Despatch - Weekly & Monthly Office Accounting - Counter Procedure	318
Accounting and Despatch - Daily Cash Declaration - Counter Procedure	195
Mails - Parcelforce - Reversals - Counter Procedure v1.0	141
Back Office - Stock Ordering - Balance Enquiries - Creating order	99
Back Office - Stock Ordering - Checking order	86
Licences and Government - DVLA - Taxing A Vehicle Using V62 - Counter Procedure	62
Total	2905

Top 10 Branches

Branch Name	Views
001840 - Grantown-on-Spey	3
002458 - Old Town Hastings	1
002539 - Woolwell	2
003323 - Lingfield Drive	1
003939 - Caversham	1
004909 - Summerfield Road	1
007343 - Beaumont Crescent	1
007824 - Frederick Street	1
008001 - Danebury Avenue	2
009549 - Crewkerne 2 Hosted	12
018002 - Poplar	1
Total	2905

The most popular articles viewed by Postmasters relate to Transaction Corrections, Horizon procedures and accounting.

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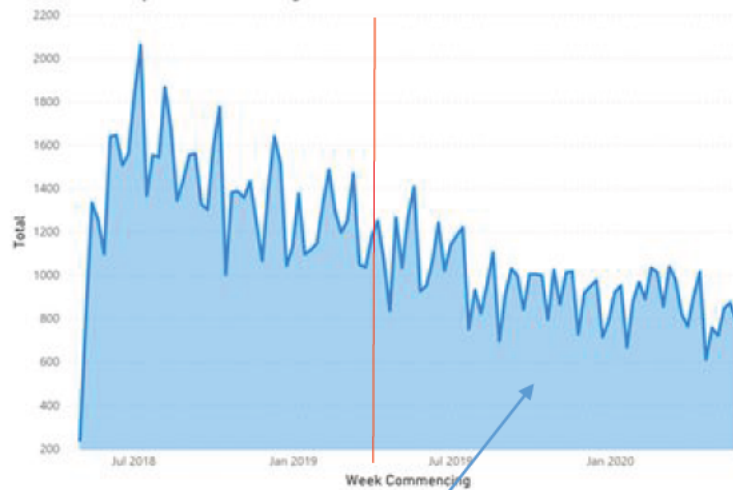


Appendix 10. –Reduction of calls into Branch Support Centre in the last 2 years

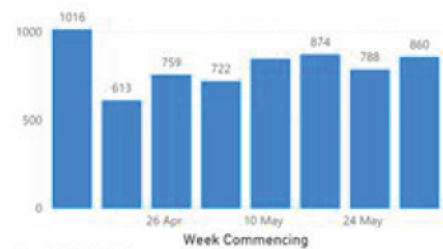
Category

Accounting and Despatch	Back Office	DVLA	Health Lottery	Parcelforce	Passport
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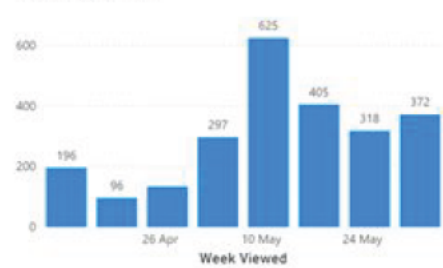
Total BSC Calls by Week Commencing



Total BSC Calls



Total Article Views



Key dates

- End March 2019
- April 2019
- October 2019
- October 2019
- November 2019
- November 2019
- April 2020

Tier 2 introduced

- Transaction Corrections Disputes Team set up
- Dispute options added to discrepancy letters
- Branch Support Guide issued
- Transaction Correct ion wording enhanced
- Horizon Banking improvements
- Support and dispute signposting on Branch Trading Statements



Appendix 10 cont'd – Training Satisfaction Scores

High satisfaction scores for classroom and onsite training

Classroom	2019
Responses	883
Overall satisfaction	96.94%
TRAINER SATISFACTION	99.17%
CTO SATISFACTION	96.29%
COURSE CONTENT SATISFACTION	95.35%
QUESTIONS	
#How suitable were the classroom environment and facilities?	94.65%
#How suitable was the equipment used?	97.92%
#How confident are you that you can apply the learning from this course back in branch?	92.53%
#Do you think appropriate time was allocated for each of the key sections covered on the course?	95.92%
#How effective were the course handouts, materials and methods used?	97.60%
#How effective was the trainer in helping you to understand the subjects covered, and how to applying these back in branch?	99.32%
#How did the trainer's style impact on your learning experience?	98.96%
#How organised and prepared was the trainer?	99.57%
#How knowledgeable was the trainer?	99.68%
#Did the training provided meet your expectations?	98.32%
Onsite	2019
Feedback Response rate	337
Overall satisfaction	96.85%
QUESTIONS	
#How effective was the trainer in helping you (and your staff) to understand the learning, and how to apply it in branch?	99.35%
#How did the trainer's style impact on your learning experience?	98.99%
#How organised and prepared was the trainer?	99.17%
#How knowledgeable was the trainer?	99.41%
#How confident are you (and your staff) in processing daily 'Back Office' tasks?	92.05%
#How confident are you (and your staff) in processing mails products and services?	99.41%
#How confident are you in providing Post Office services to your customers going forward?	92.05%



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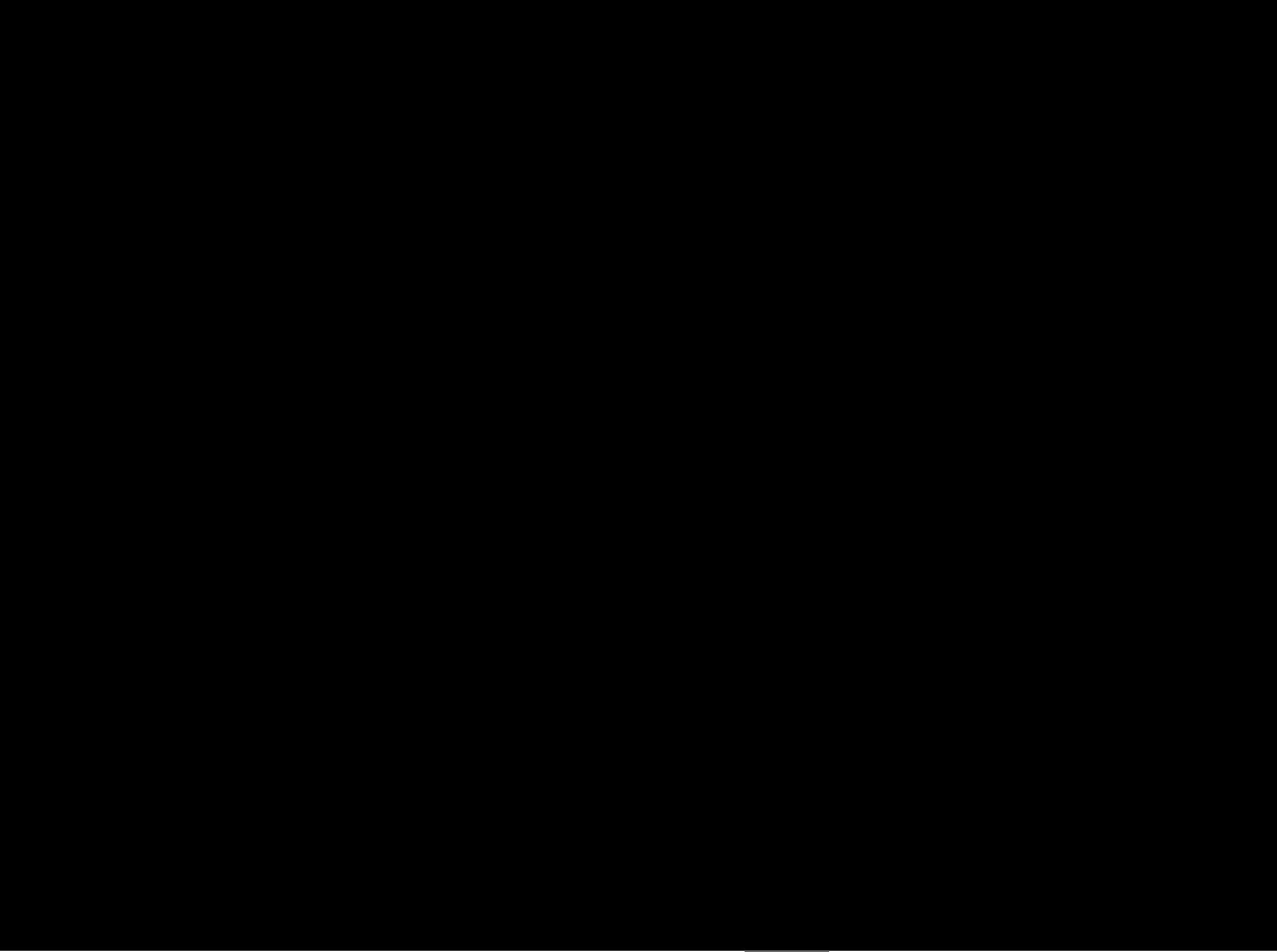
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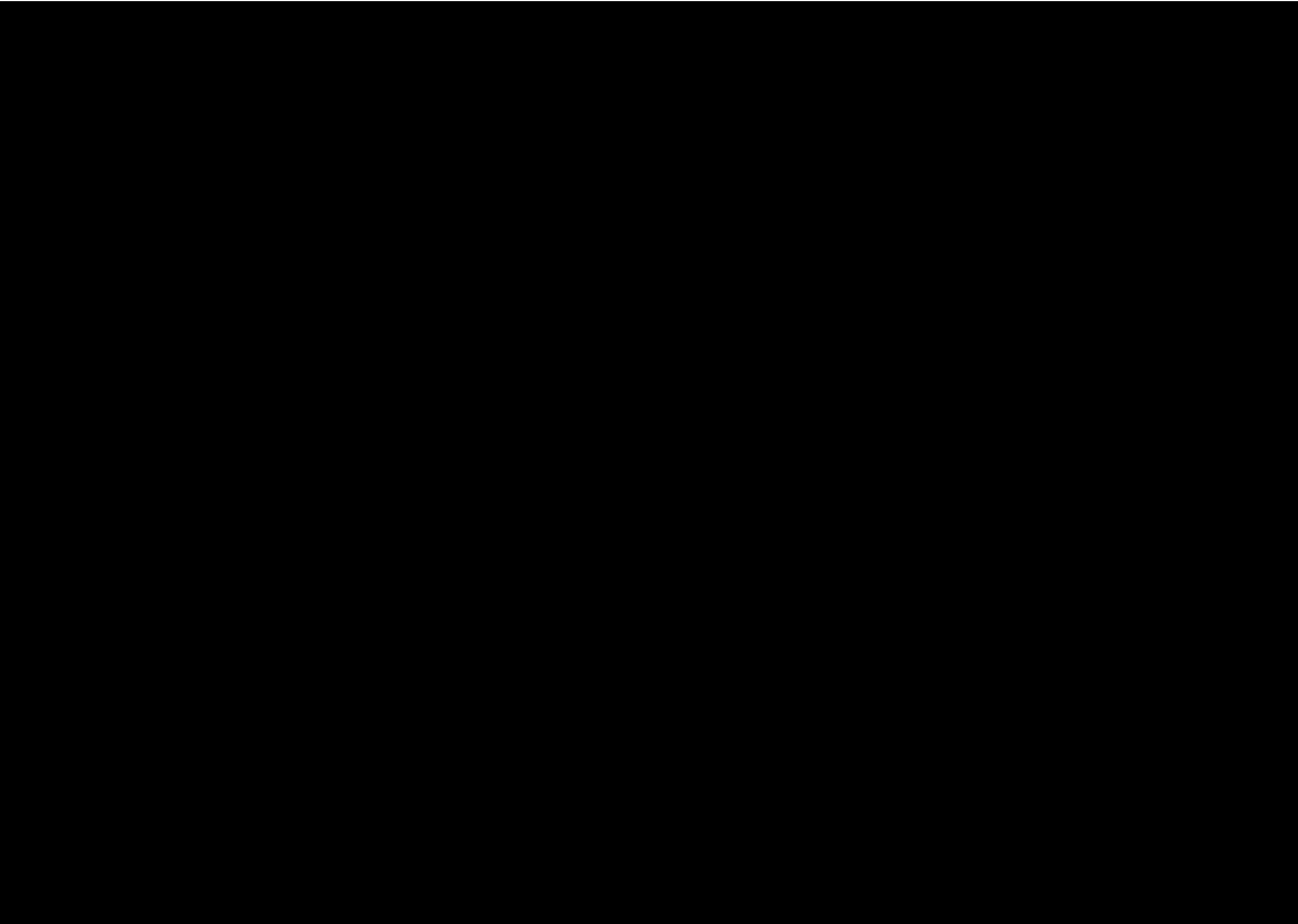
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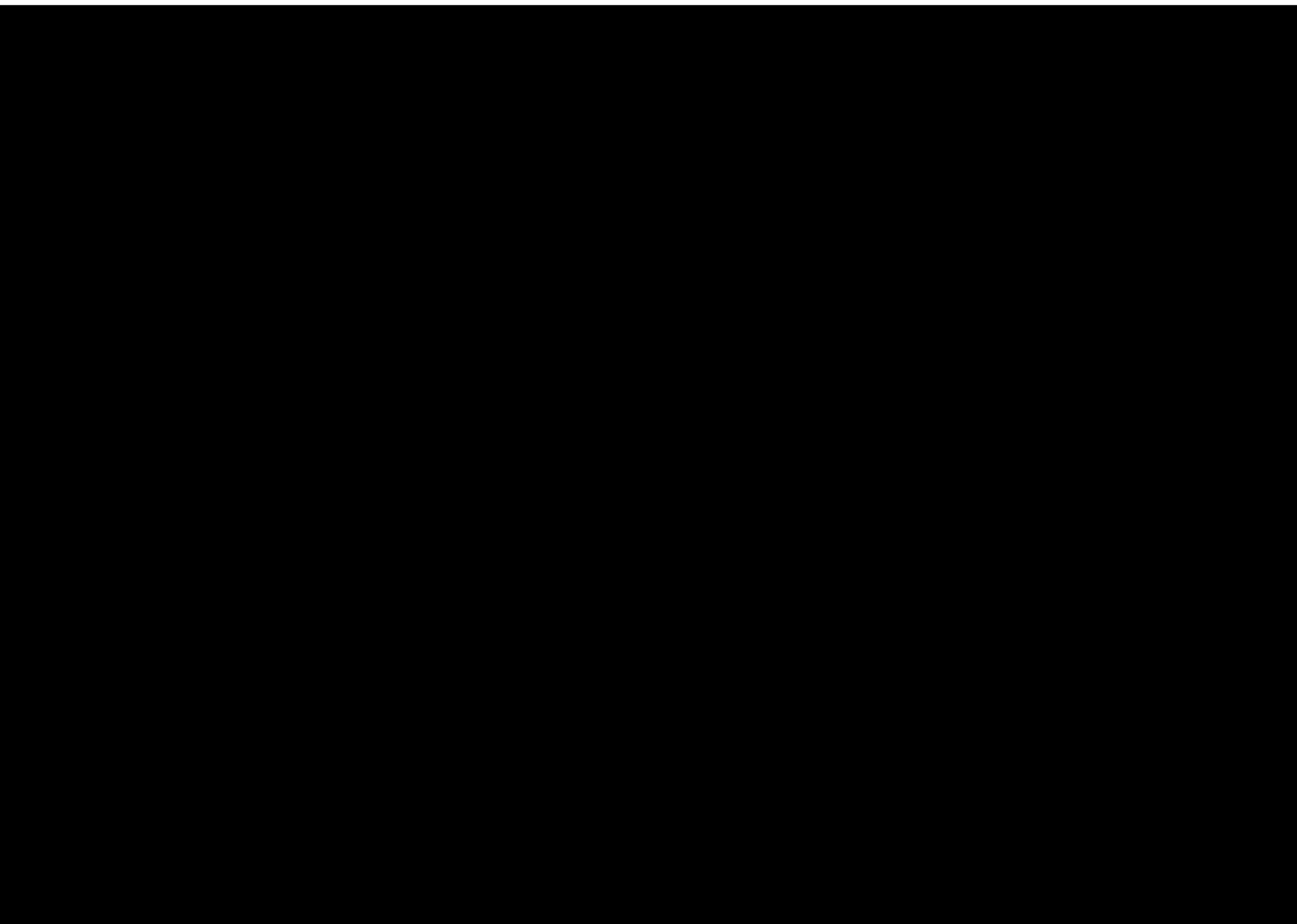
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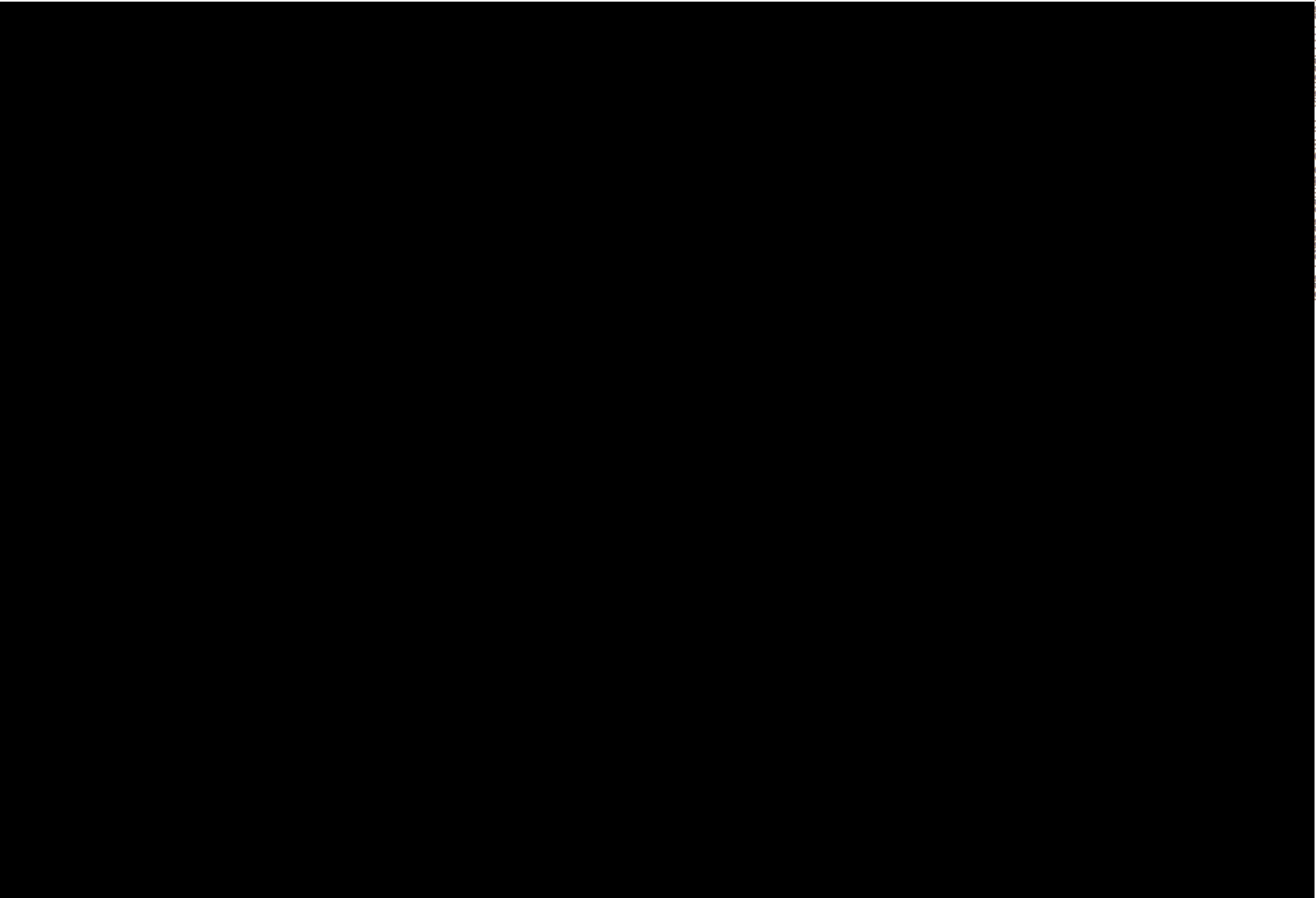


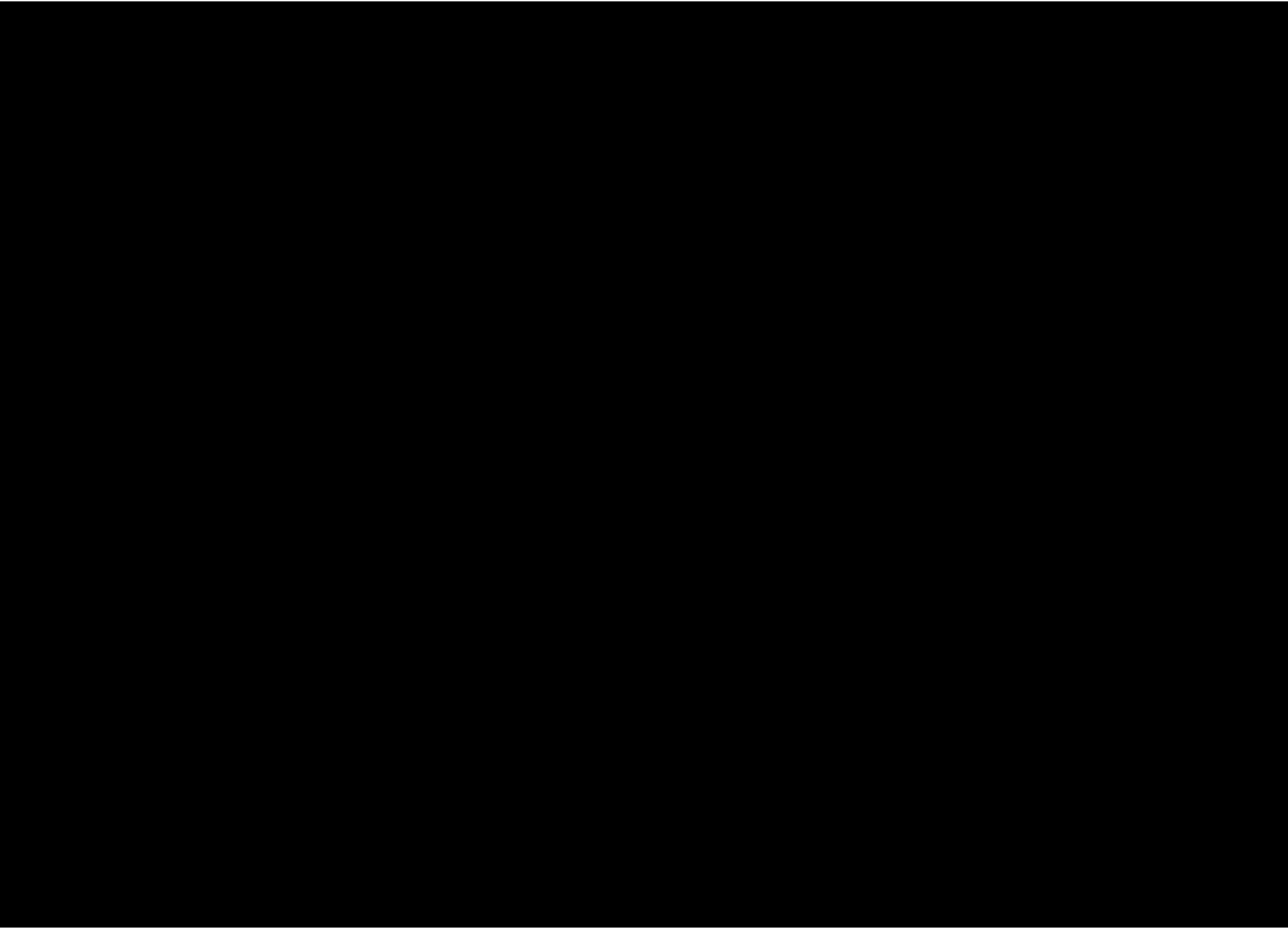
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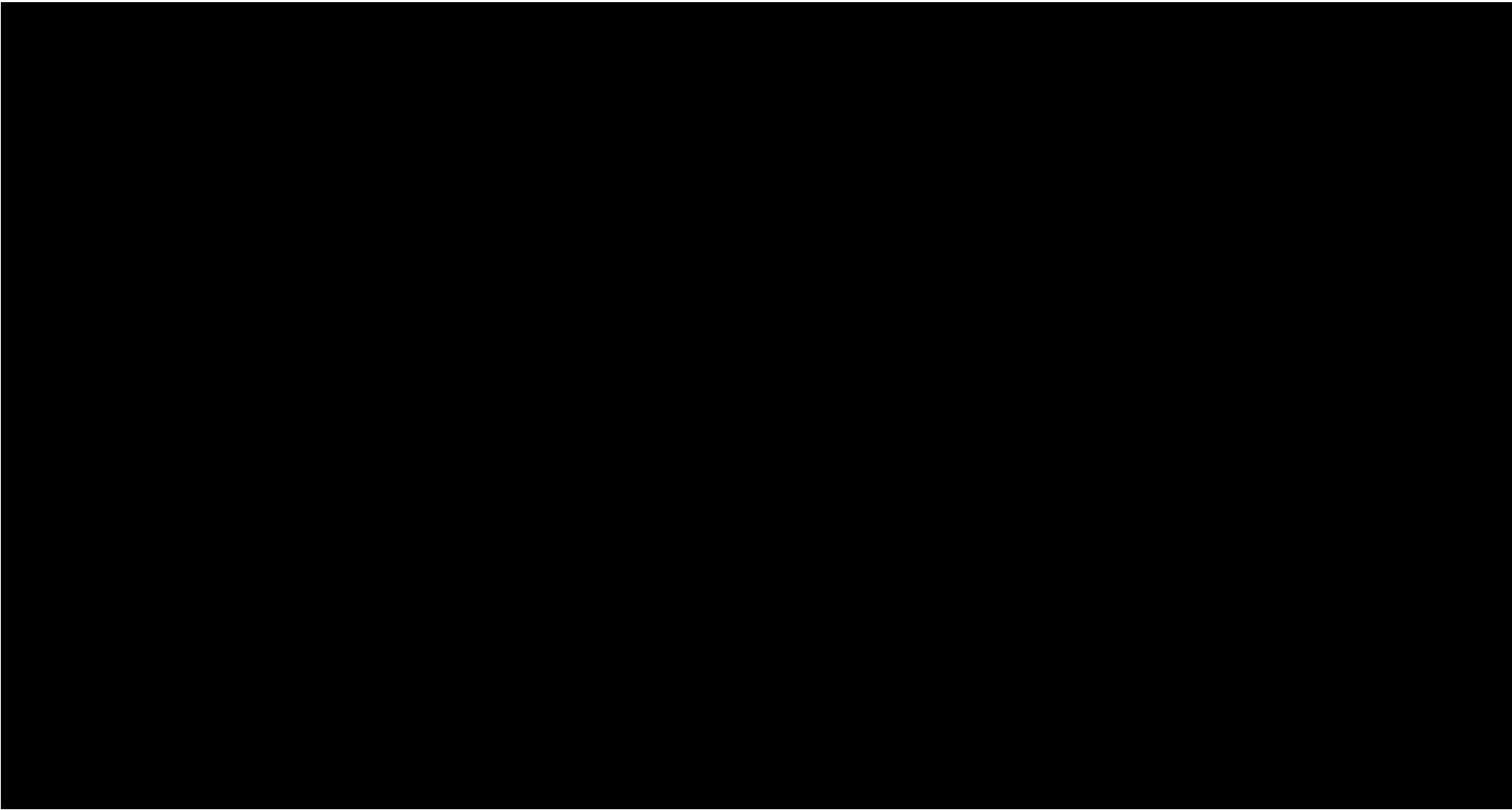


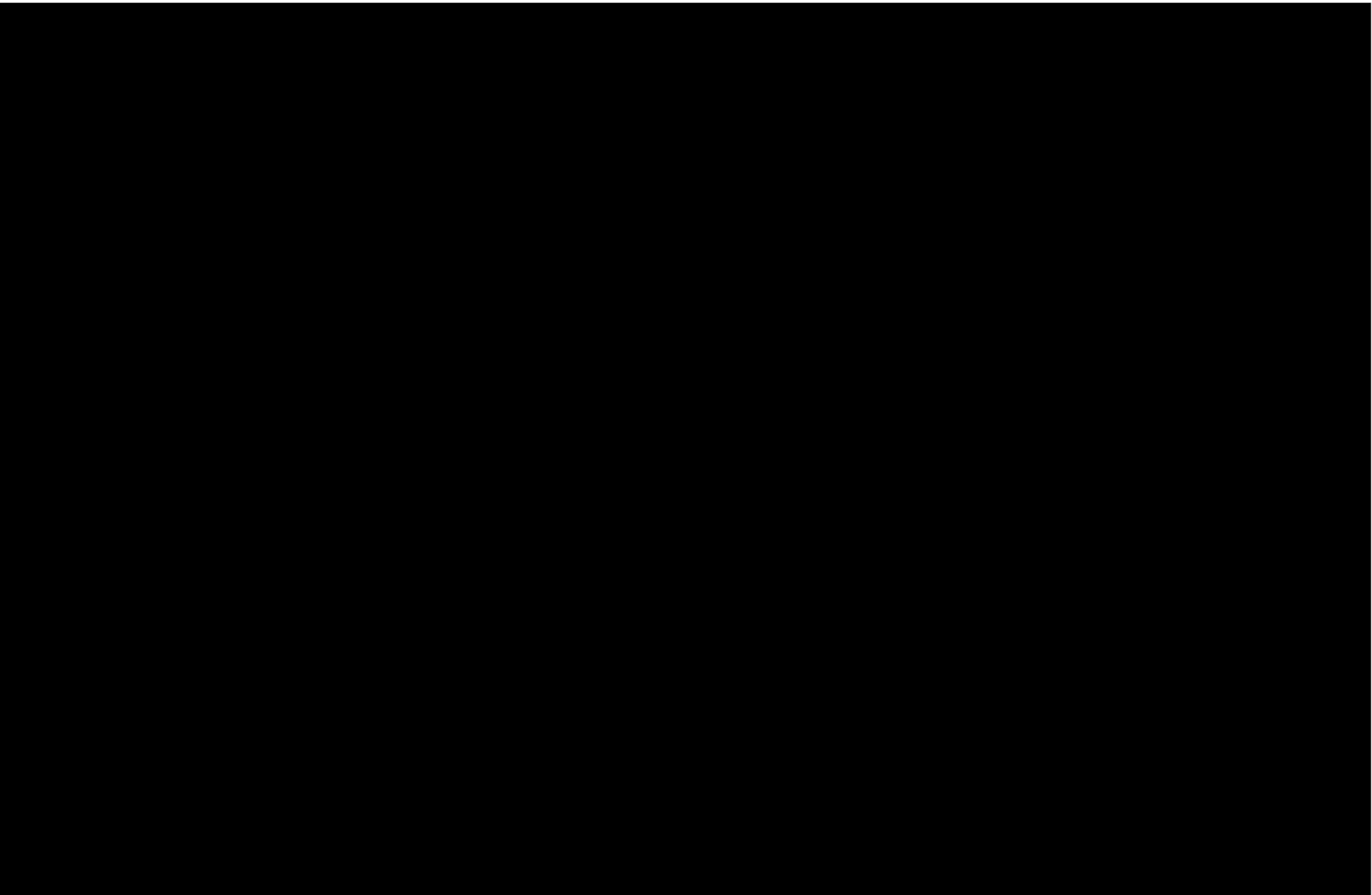


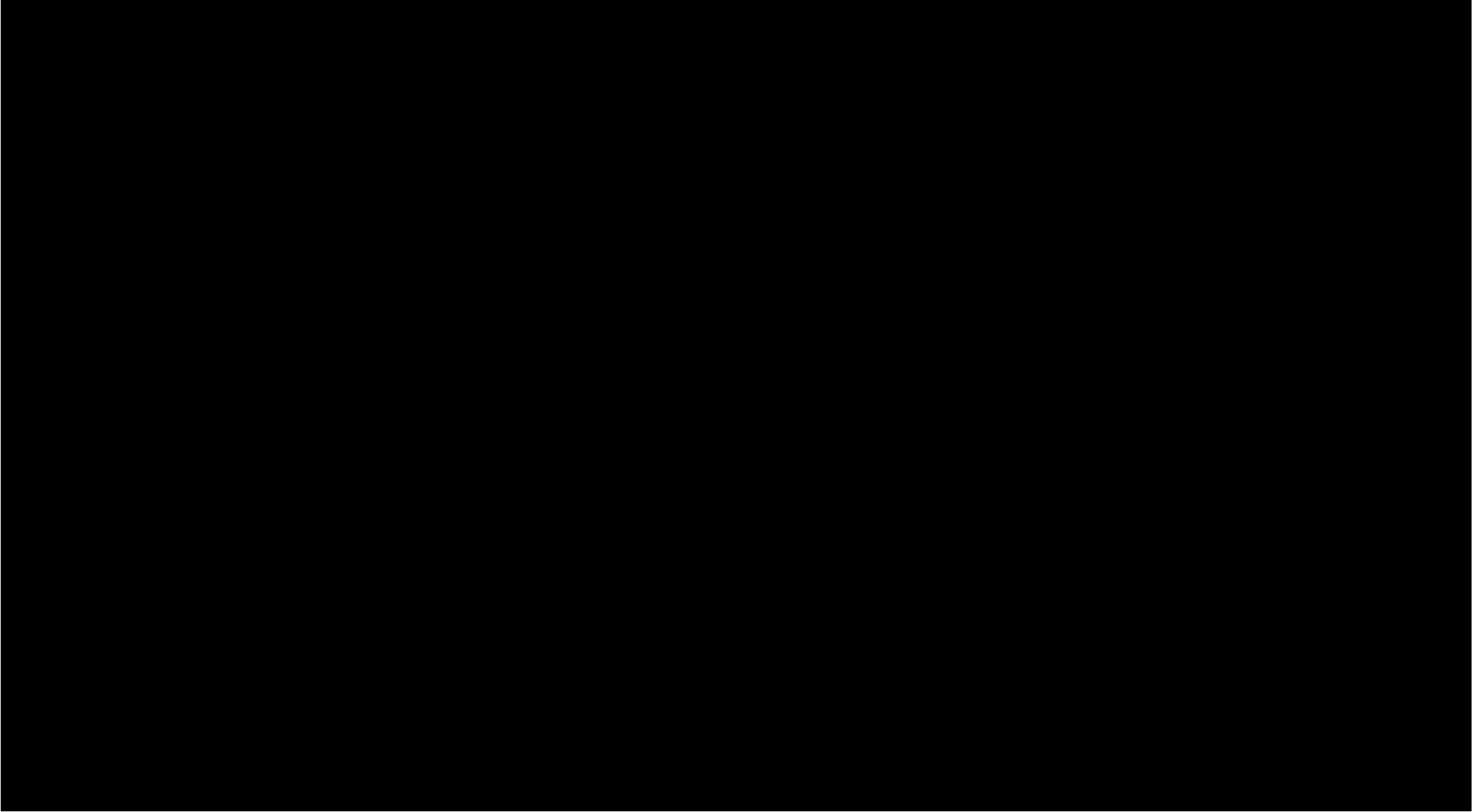


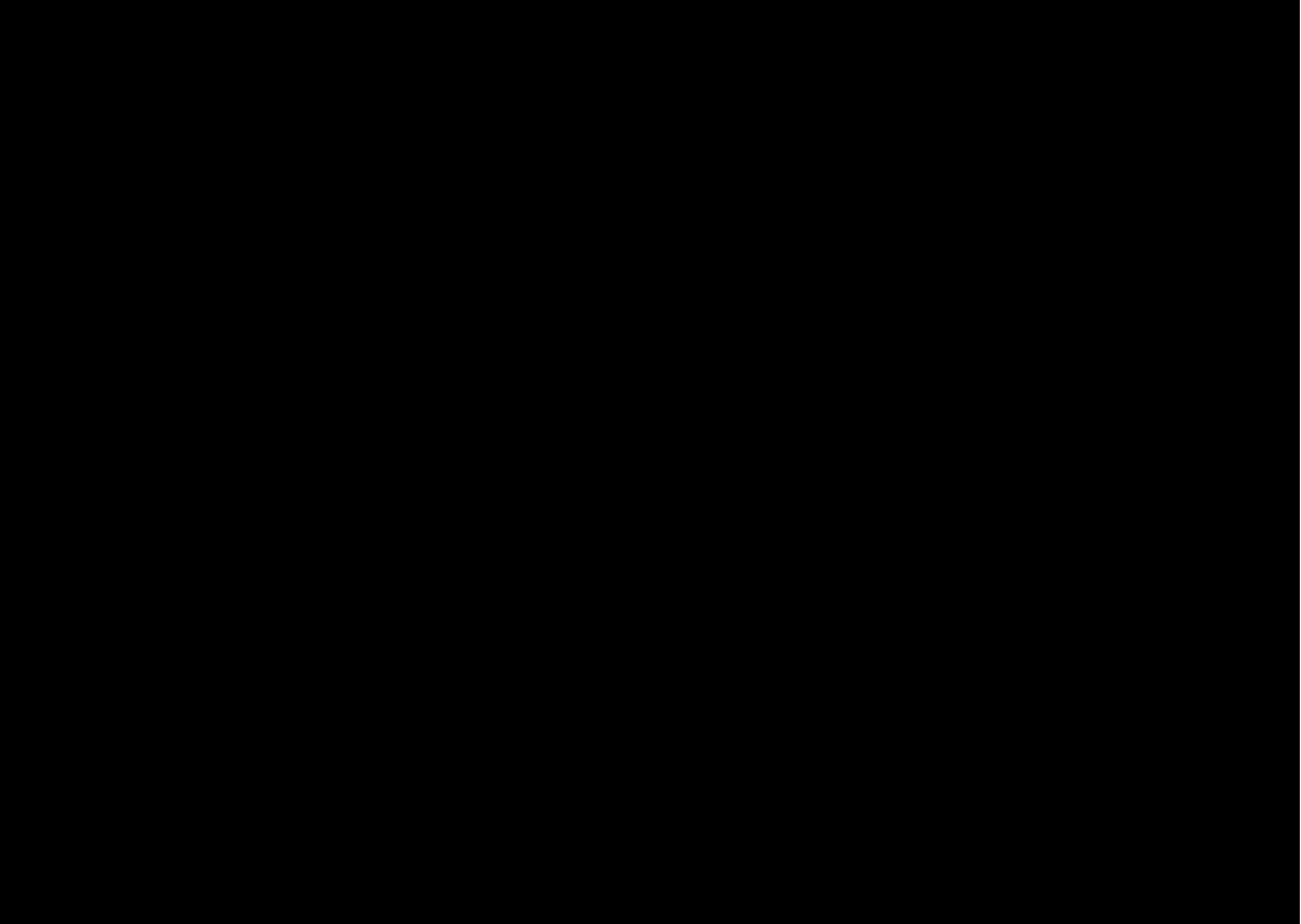


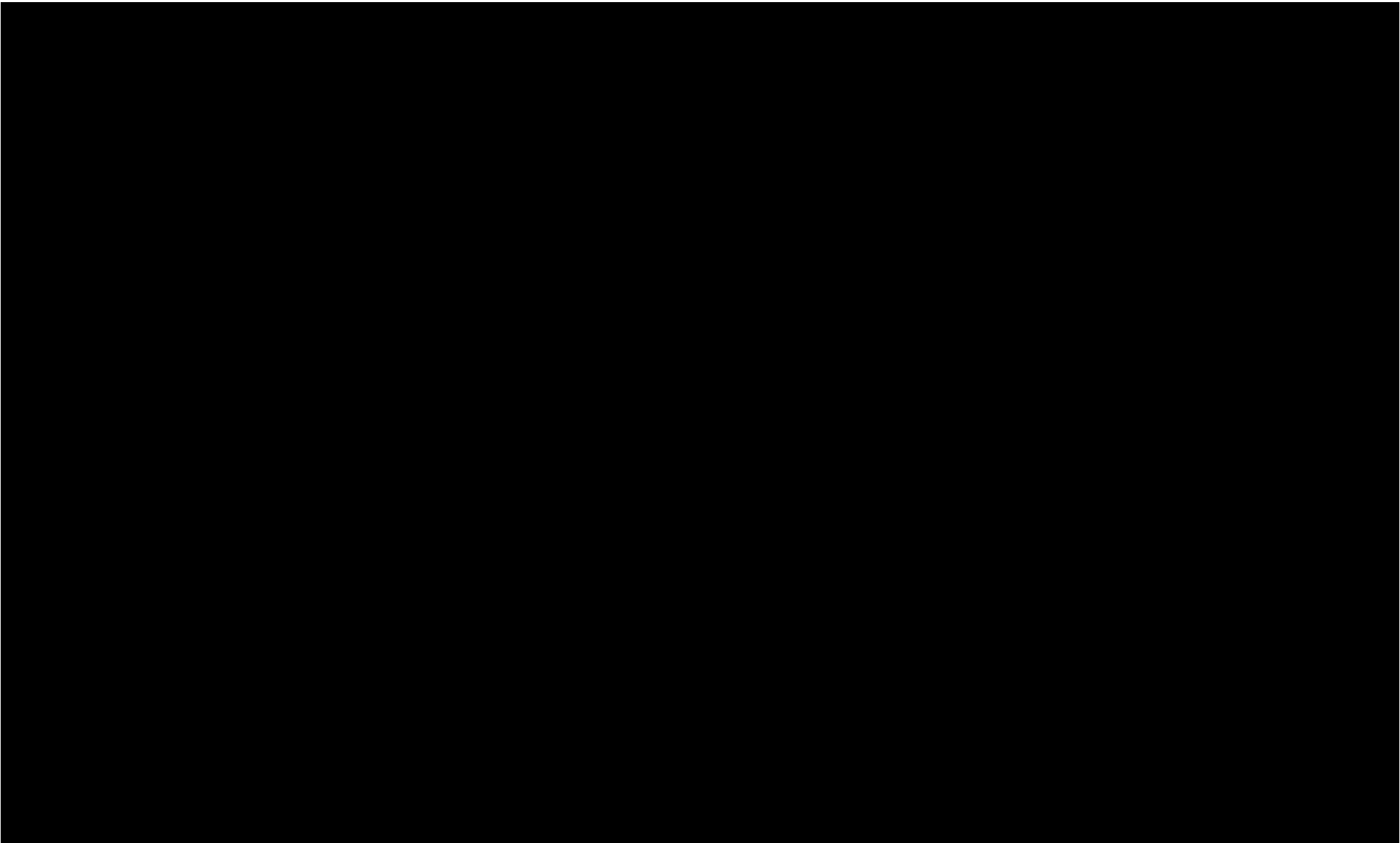




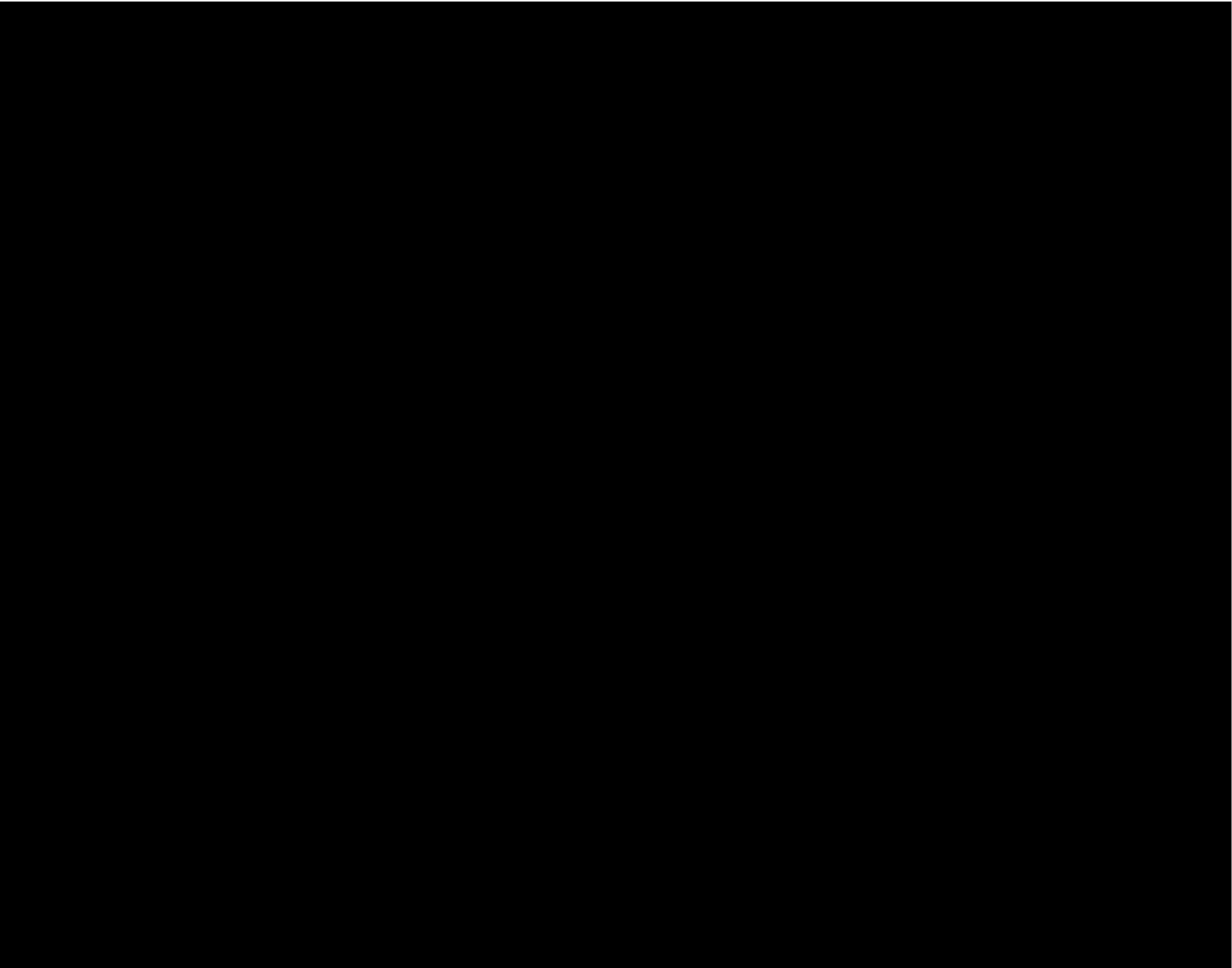


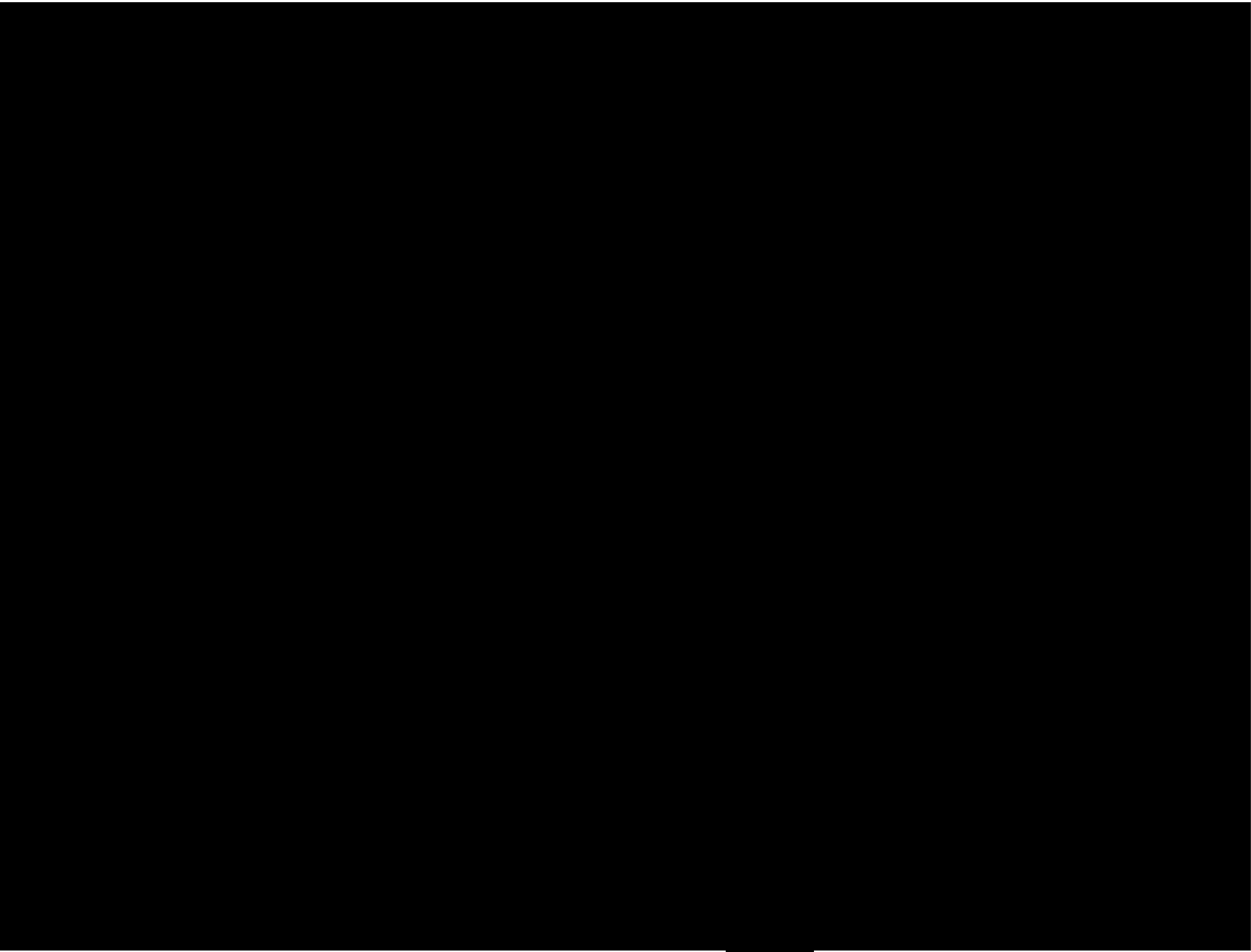






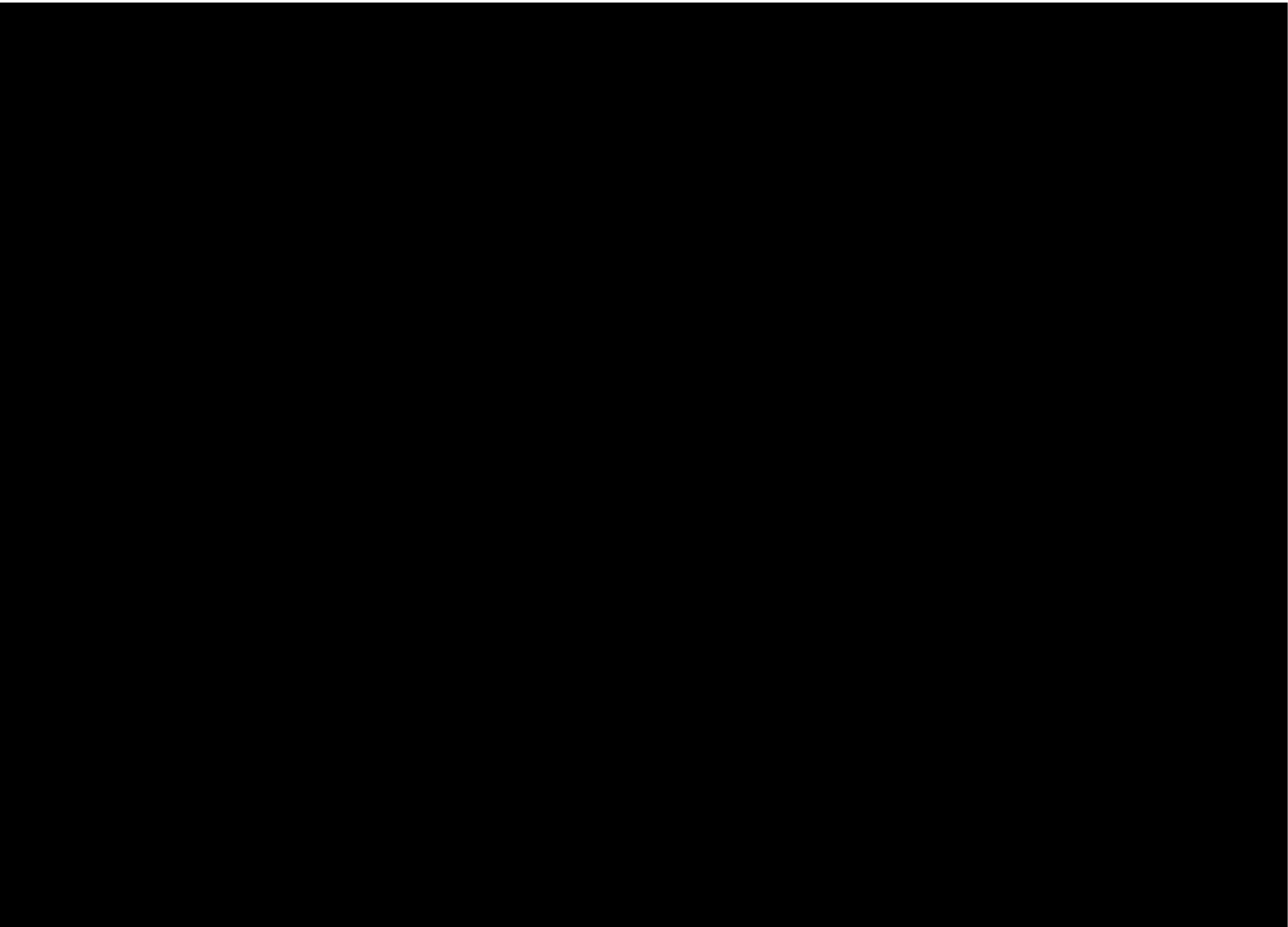
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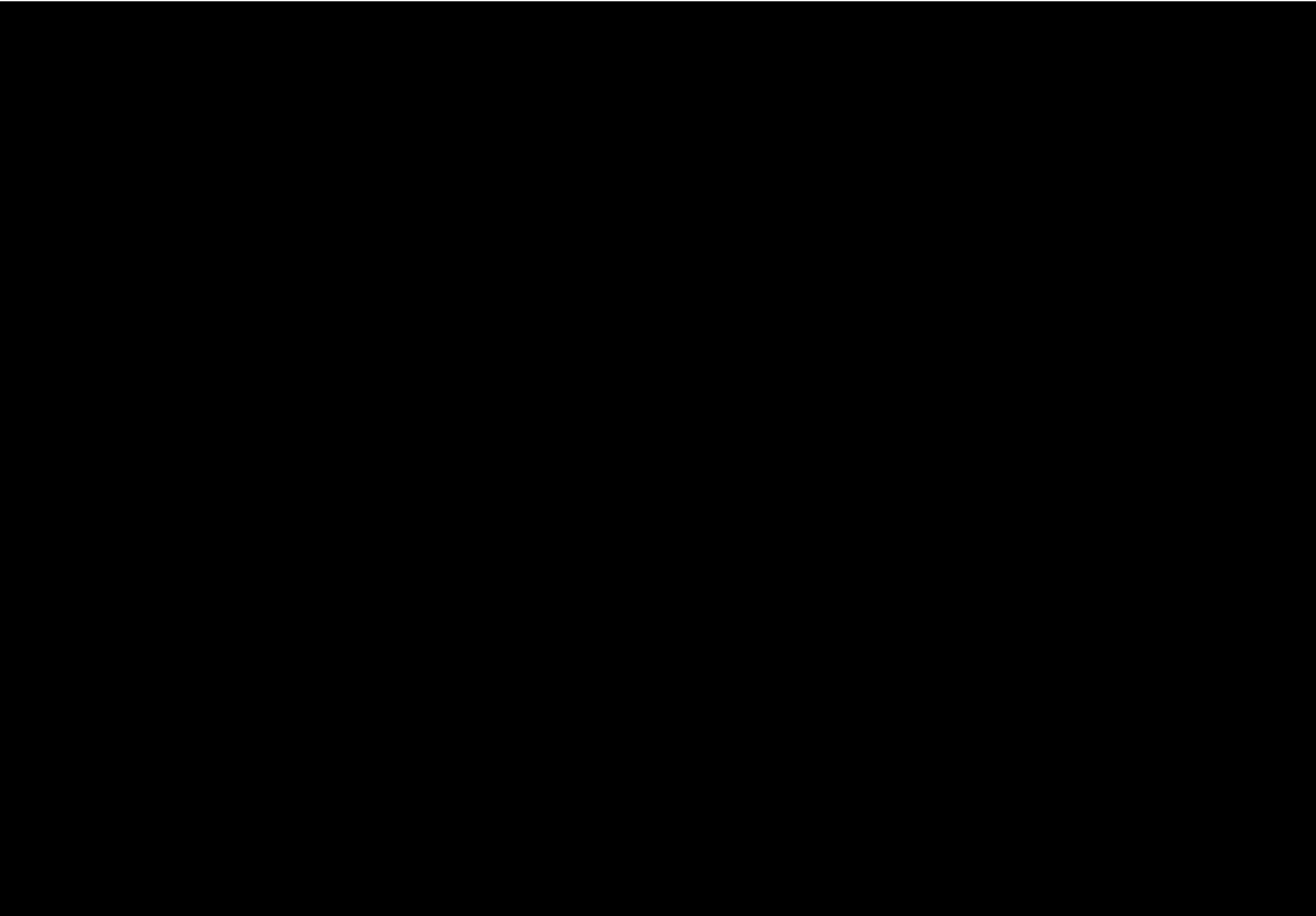


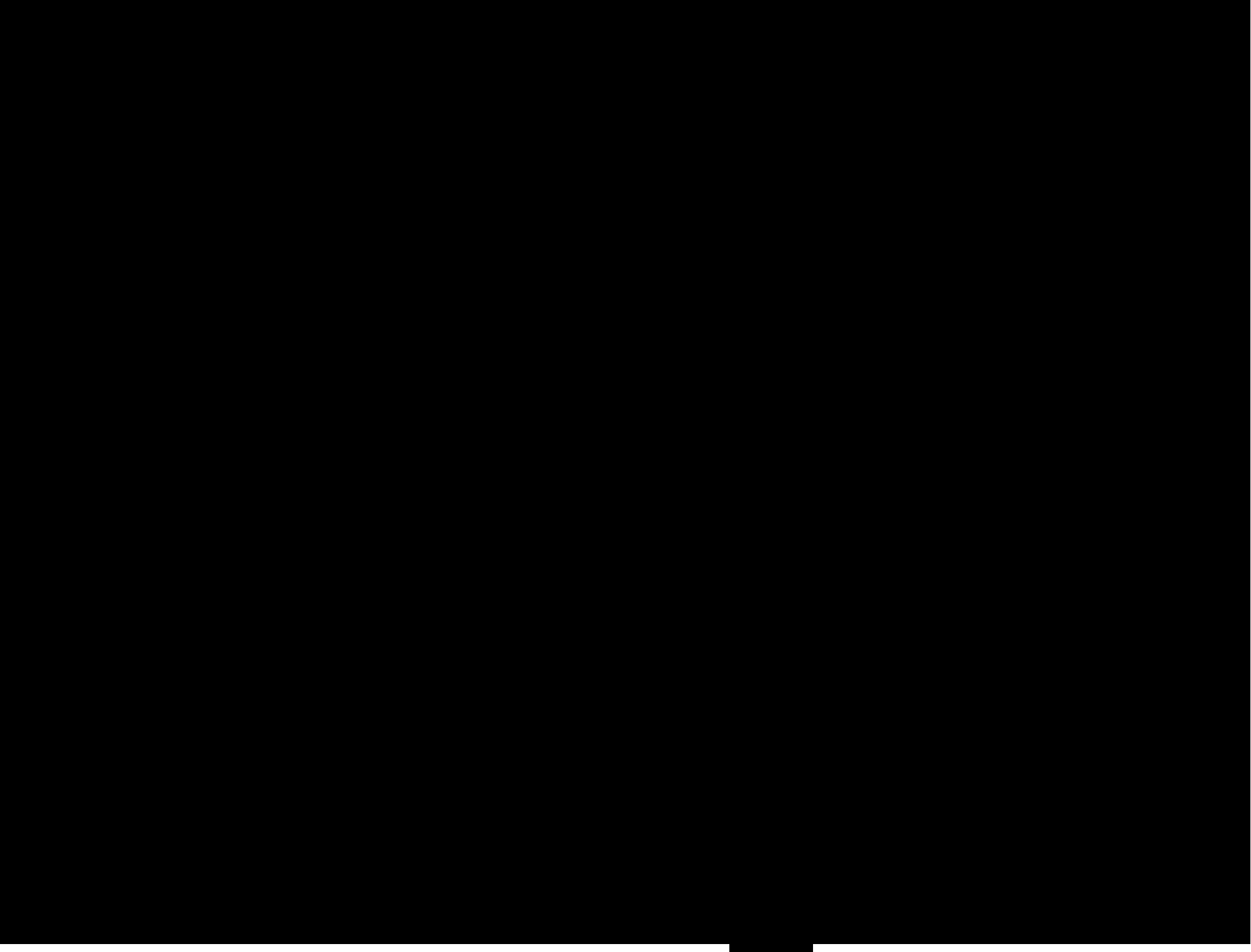
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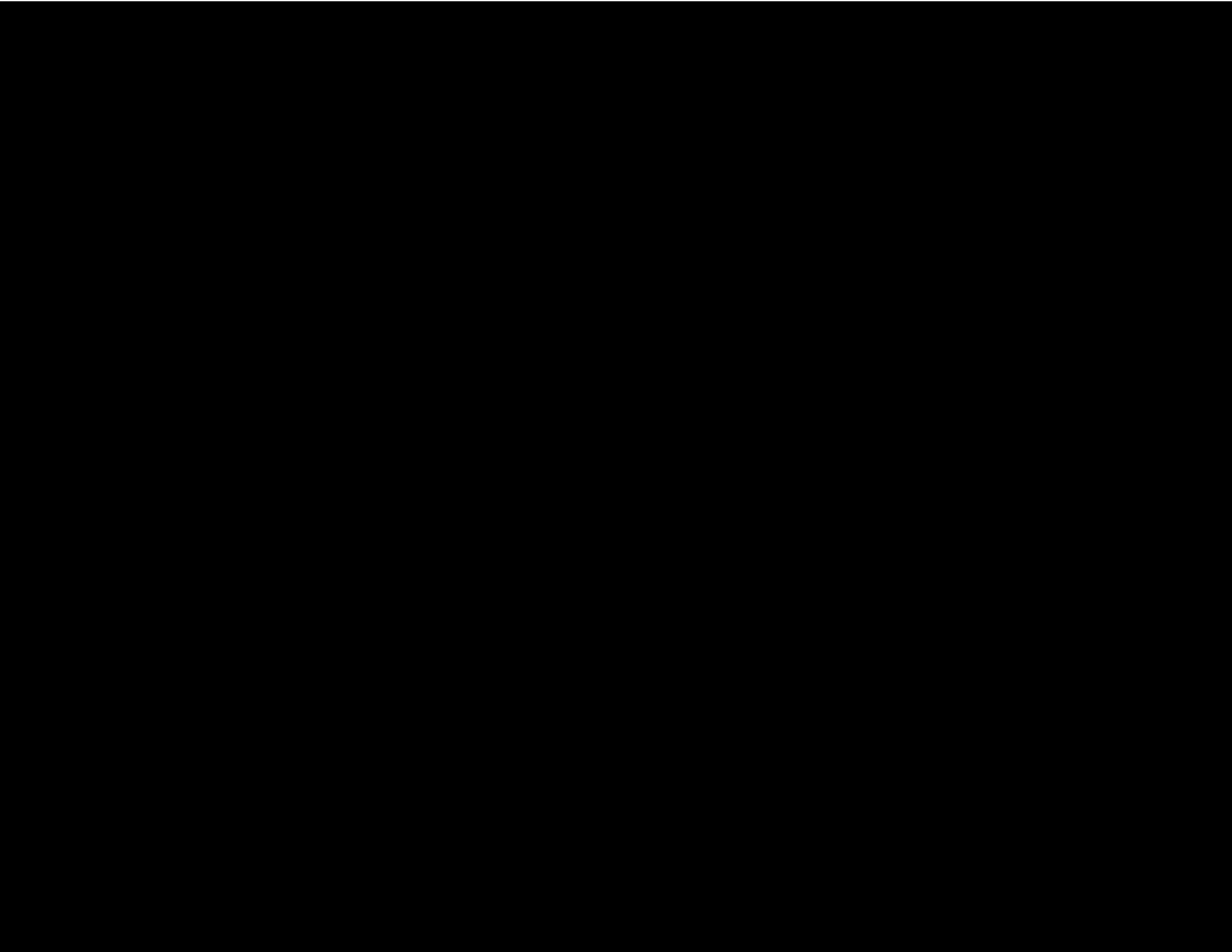
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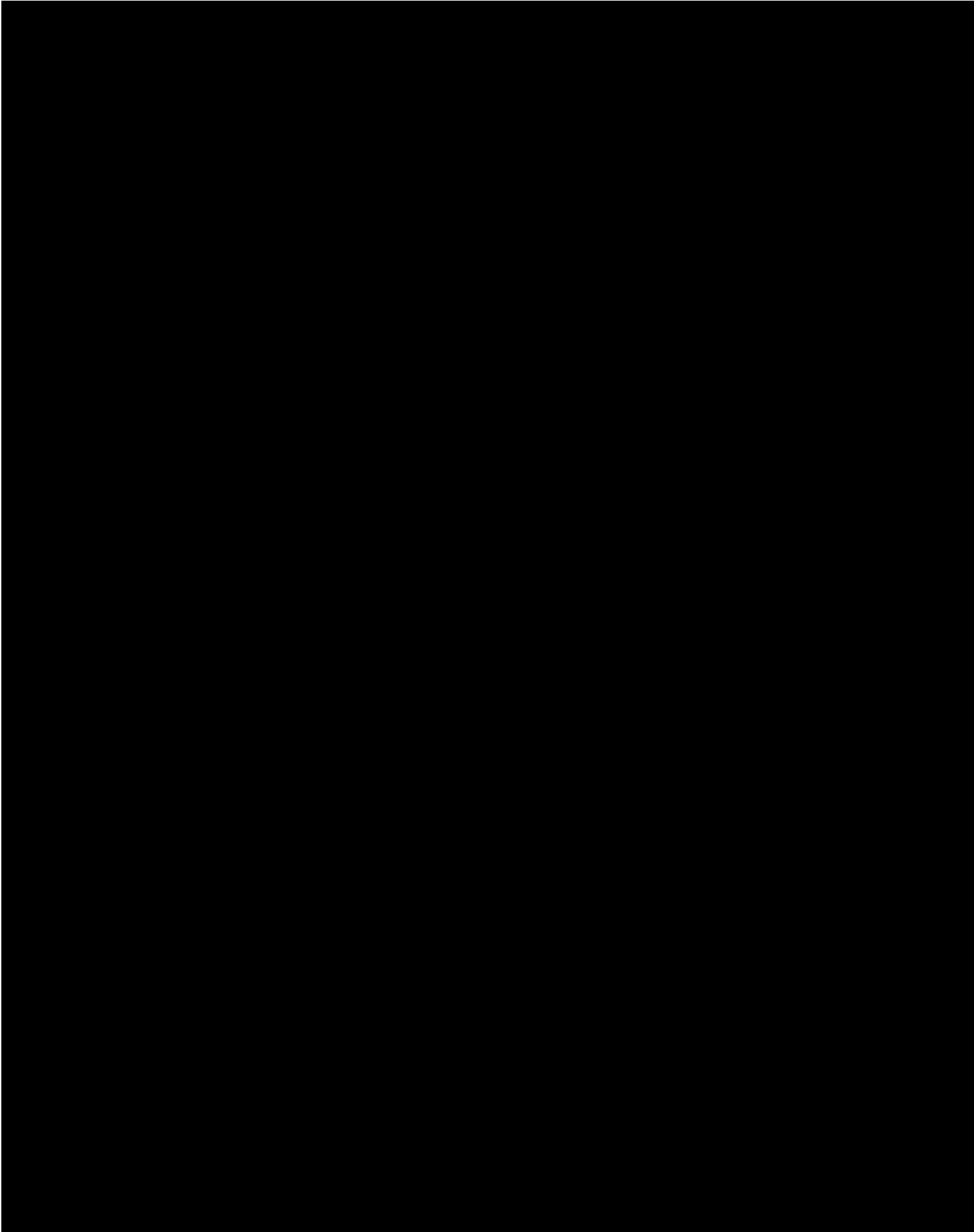
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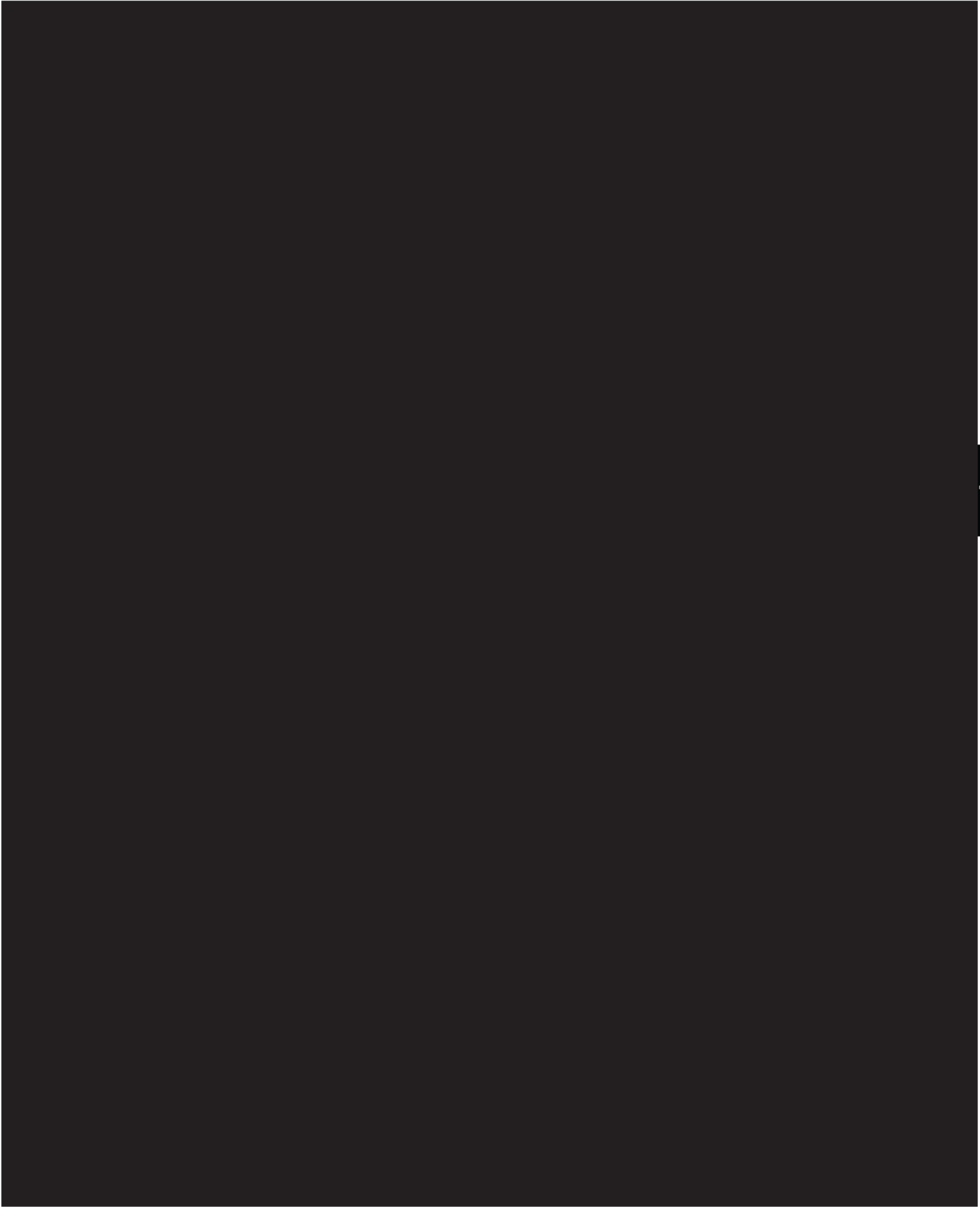


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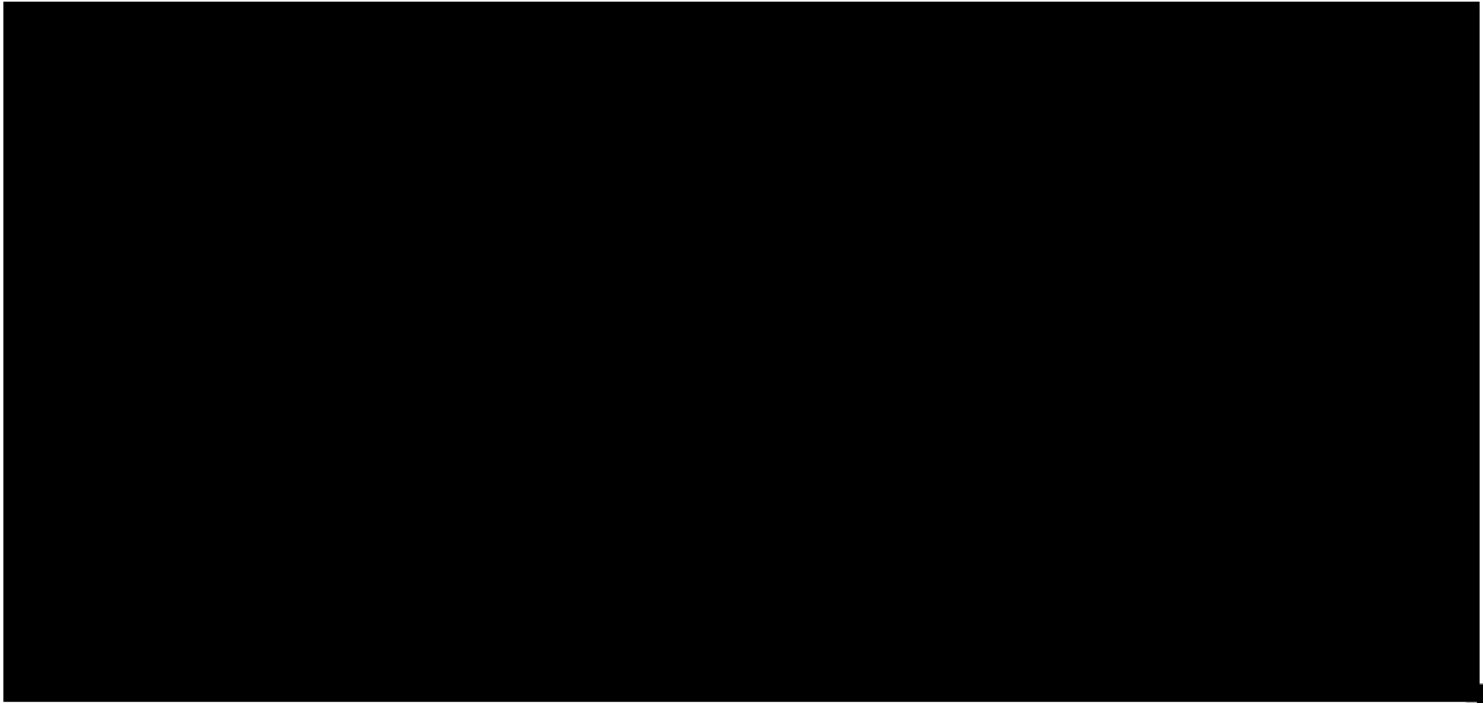
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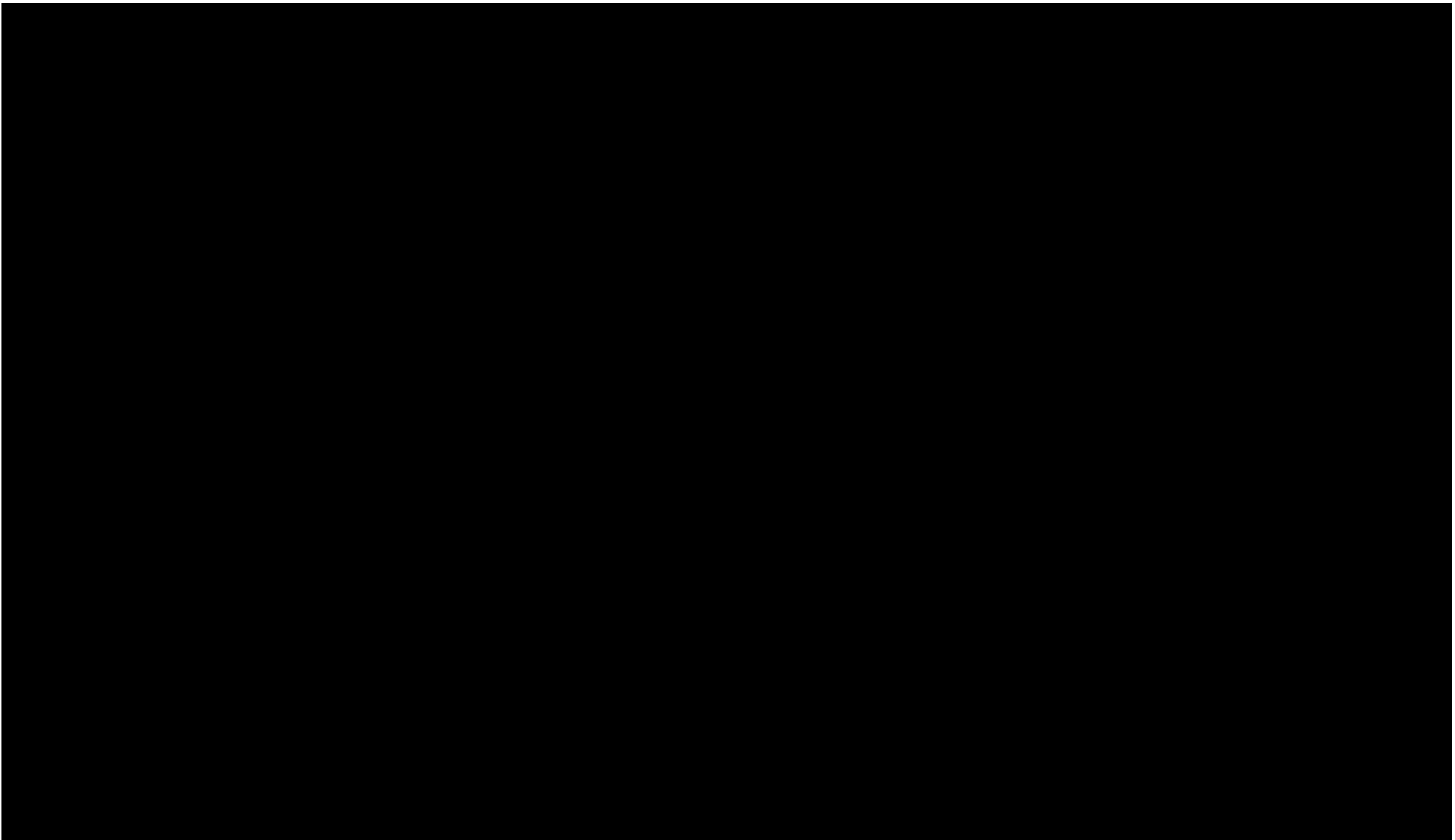
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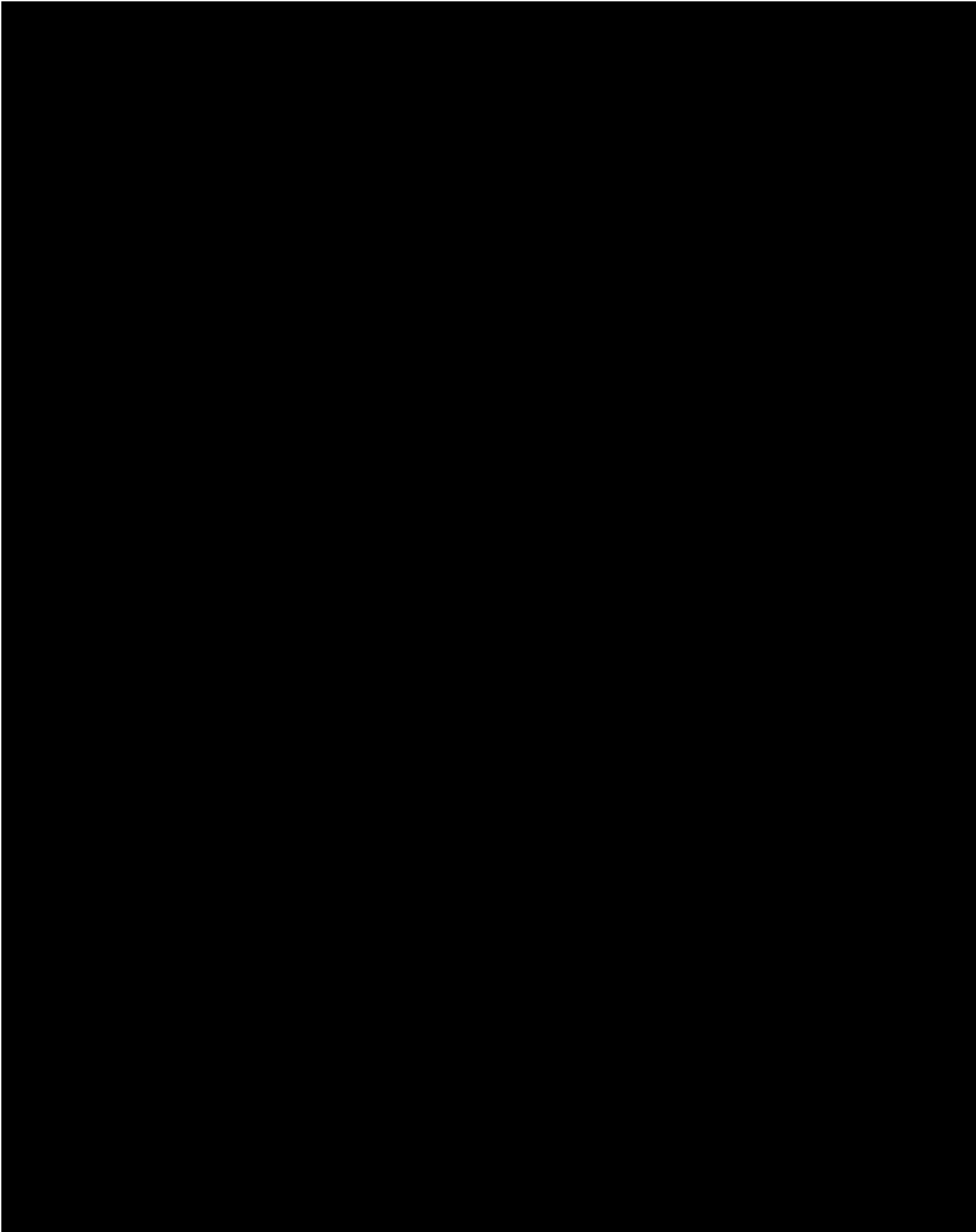
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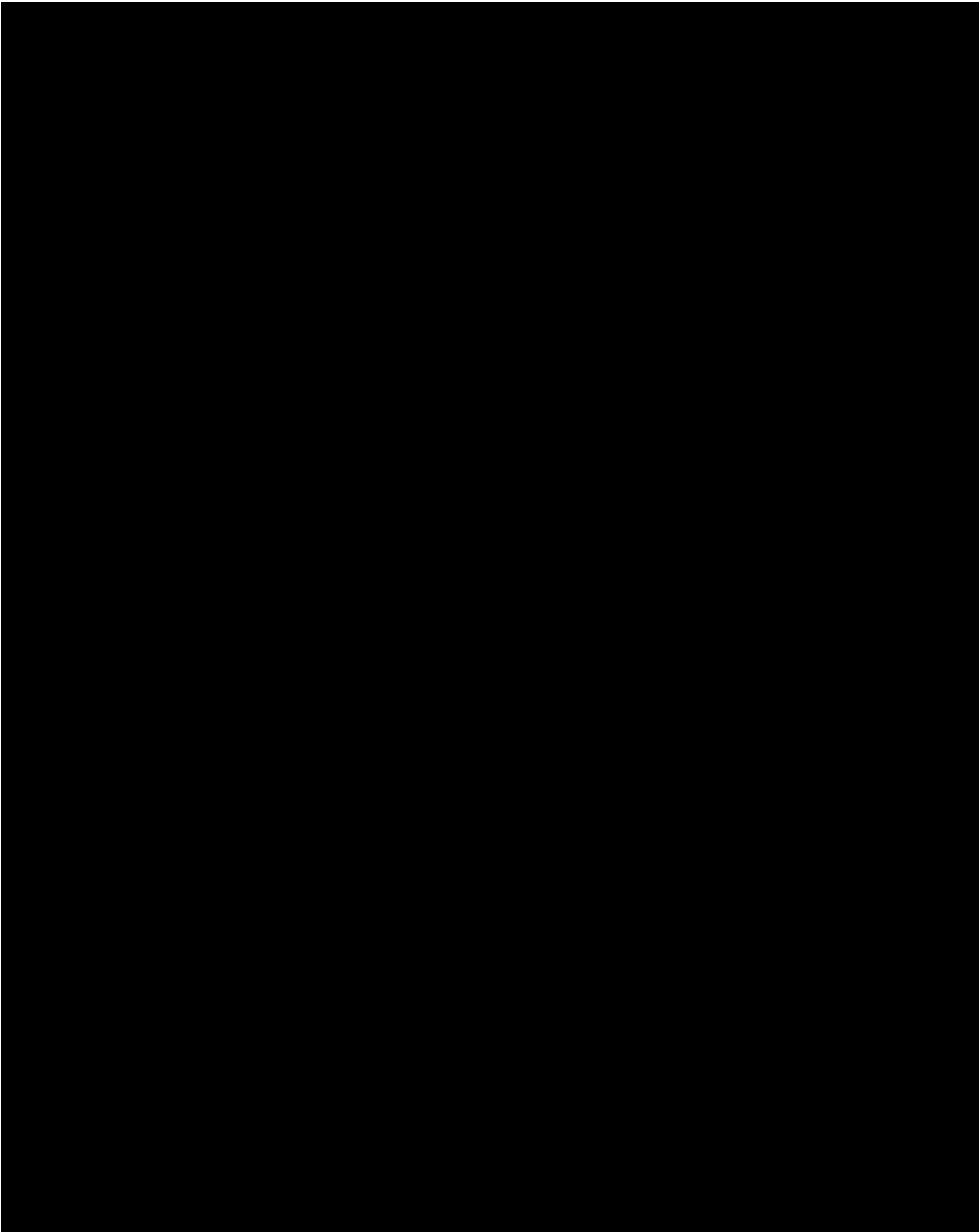
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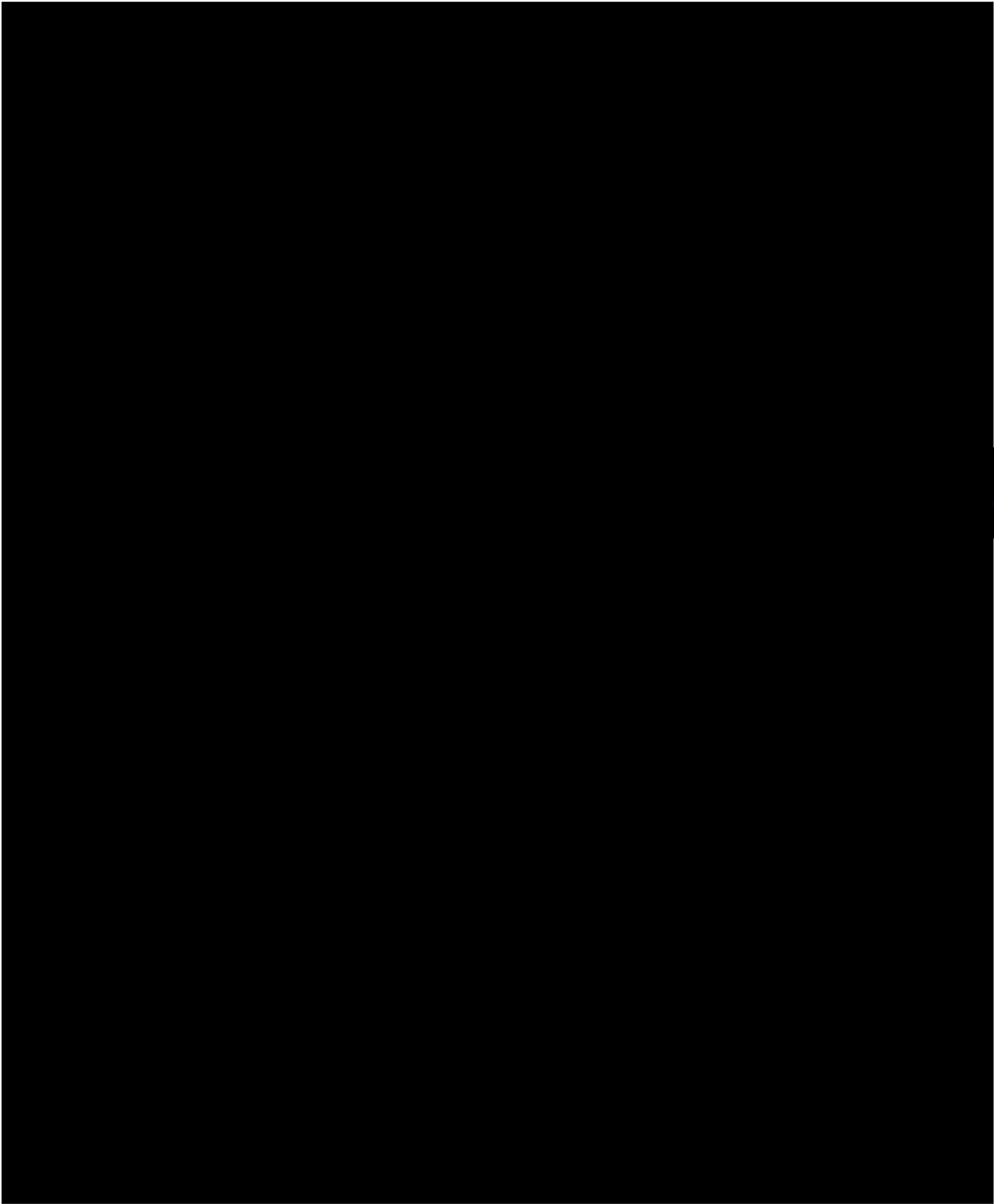
³ The Report at pages 14 and 18 notes that KPMG only looked at 15 high risk branches, was limited to a 12 month period, and covered a range of loss.



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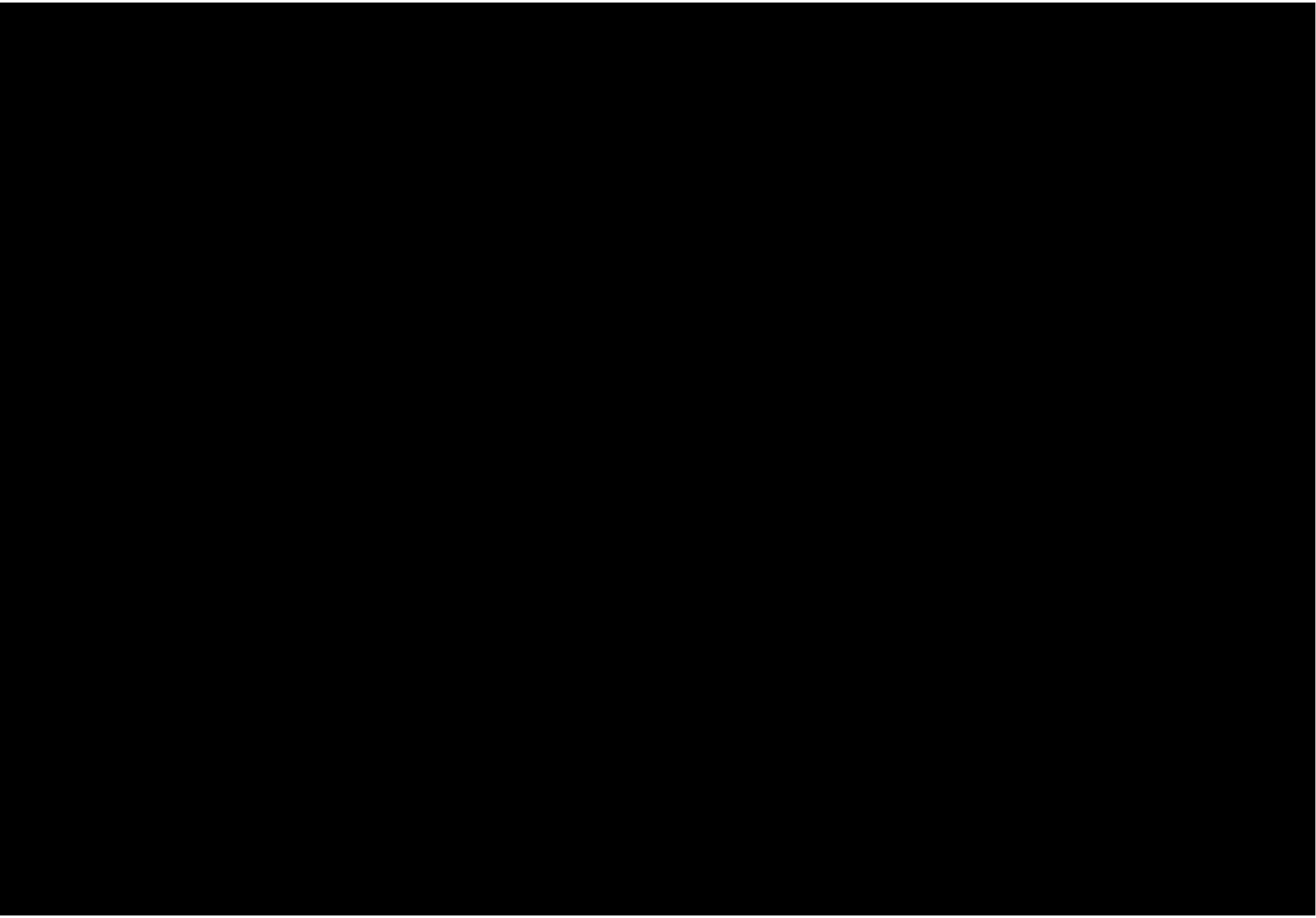


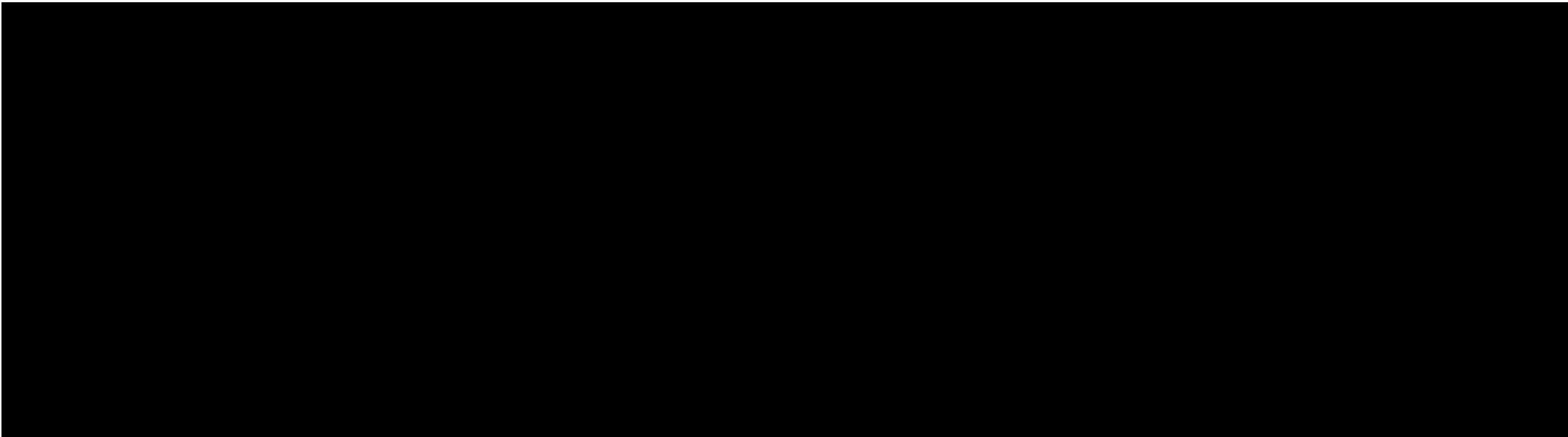
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-
- | Age Group | Should Take Action (%) | Should Not Take Action (%) |
|-----------|------------------------|----------------------------|
| 18-29 | 85 | 15 |
| 30-49 | 85 | 15 |
| 50-69 | 85 | 15 |
| 70+ | 85 | 15 |

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Bar Index	Approximate Length (%)
1	100
2	100
3	100
4	100
5	15
6	100
7	90
8	35
9	100
10	100
11	15
12	100
13	95
14	100
15	98
16	75
17	95
18	100
19	100
20	40
21	100
22	100
23	98
24	95
25	10

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11/11/2014

-
- | Row | Bar Length (approx. %) |
|-----|------------------------|
| 1 | 95 |
| 2 | 90 |
| 3 | 35 |
| 4 | 50 |
| 5 | 95 |
| 6 | 92 |
| 7 | 95 |
| 8 | 85 |
| 9 | 98 |
| 10 | 98 |
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| 14 | 95 |
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POST OFFICE LIMITED BOARD REPORT

Title:	Procurement Risk Exception Process	Meeting Date:	28 th July 2020
Author:	[REDACTED]	Sponsor:	Alisdair Cameron, Group Chief Finance Officer

Input Sought: Discussion and Decision

Review and approval of the Risk Exceptions for Board approval set out within Appendix A.

Noting of the Pipeline Risk Exception Report under PREN20

Noting on the Sourcing recommendation made to GE for the Global Payments tender [PREN4]

Previous Governance Oversight

- Report on new Procurement Risk Exceptions over [REDACTED] was reviewed and approved by GE and Board in June 2020.

Executive Summary

Following review of the annual Procurement compliance report in March 2020, the Audit and Risk Committee [ARC] have requested a revised approval process for all Procurement Risk Exceptions.

This report sets out the current Risk Exceptions for review.

Questions addressed

1. What are the public contract regulations which apply to the Post Office?
2. Why have the following Risk Exceptions been submitted?
3. What is the progress on the Global Payments retender?

Report

1. What are the public contract regulations which apply to Post Office?

- Contracts may be directly awarded up to [REDACTED] without a competitive process provided awards are fair and transparent under Treaty rules. All contracts must comply with Post Office Contract governance processes.
- Contracts with a value of between [REDACTED] over the lifetime of the contract are subject to UK regulations and must be able to demonstrate good value for money and a transparent selection process among other criteria. Post Office seeks to have at least 3 quotes, and an auditable evaluation and selection process must be in place. In some circumstances, notices and awards must be published.
- Contracts with a value of over [REDACTED] are subject to full EU Treaty and EU Public Contract Regulations and associated processes. Post Office may avail of government frameworks which have clearly set out rules of engagement or run an OJEU tender

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8.2



process. These are typically 6-12 months in duration and are used for complex or bespoke requirements due to the cost and time required to support.

- Under certain defined conditions, exemptions apply to these regulations. Most relevant examples to Post Office include:
 - Regulation 72 allows for modifications to existing contracts or frameworks [up to 50%] of the original contract value where:
 - A change in contractor cannot be made for economic or technical reasons such as interchangeability or interoperability with existing equipment, service or installations procured under the initial procurement, or where significant inconvenience or substantial duplication of costs would take place.
 - Regulation 32 allows for new contract awards where:
 - No suitable tender responses have been received.
 - Where competition is absent for technical reasons.
 - The protection of exclusive rights, including intellectual property rights.
 - Reasons of extreme urgency [not expected urgency] brought about by events unforeseeable.

2. Why have the following Risk Exceptions been submitted?

Four risk exceptions have been submitted for approval and one Pipeline risk for noting. These are set out in detail in the attached PREN forms and a Legal Risk Note has been included for PREN20.

a. PREN19 – Value [REDACTED]

Approval to proceed to extend an existing non-compliant direct award with a new 36 month subscription to Practical Law for the provision of Legal research materials, updates and precedents and is a critical resource for in house teams. Alternative subscription services would require either a number of lessor sources, or enterprise level resources.

b. PIPELINE PREN20 – Value [REDACTED]

GE approved the recommendation on the sourcing strategy for the retendering of EUC services for colleague and branch support on 1st July 2020. The execution plan is to complete a procurement exercise for new contract(s), (3yr + 2yr), before April 2021 with transition completed by Sept 2021.

This PIPELINE PREN and associated Legal Risk Note sets out the *possible* PCR risk associated with any slippage to the intended programme of work. Mitigating actions and target dates are set out within both documents. Slippage will be reported to both RCC, ARC and GE.

c. PREN21 – Value [REDACTED]

Retrospective approval for a 2yr subscription to Lexis Nexis for receive alerts and updates on developments in tax and regularly access the HMRC manuals, the practice guidance and law to enable the tax team to provide advice and support to the business both on a day to day basis and also on specific projects.

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d. PREN22. Value [REDACTED]

Approval to proceed to award a direct 12 month contract with CPA Global for the provision of Trademark portfolio management service [ensuring that we retain our intellectual property assets, and do not 'miss' any important renewals that protect our assets] This is a renewal of an existing contract. Ownership of the service has passed to Marketing and they wish to review the end to end estate, develop a strategy and reprocore on the basis of the long term service requirements.

e. PREN23. Value [REDACTED]

Retrospective approval is sought for a direct award in relation to urgent and specialist communications advice valued at [REDACTED] and further approval is requested for other pending work.

The business is experiencing an extremely high degree of sustained scrutiny from Government and Parliament, for which it requires specialist advice, including the hand-on training of senior executives (including the CEO, CFO and General Counsel), as well as the Chairman to give evidence before it. These services are only partially provided in-house, given the rarity with which they are typically sought.

A compliant procurement process will be run in the coming 12 months to put a panel of services in place for this team.

8.2

3. What is the progress report on the Global Payments retender?

A 6 month extension to the Global Payments contract was sought and approved in PREN4 in April 2020. This contract will end in November 2020 with an optional 2 year Exit Assistance period. Therefore, while this contract may be awarded in November 2020, the effective date of commencement could be as late as November 2022 should a full 2 year exit period be required.

Procurement sought a cross functional review in order to discuss identified risks and interdependencies with current regulatory compliance programmes, compliance of peripheral branch devices and strategic long-term target operating model for payments infrastructure.

A review of the sourcing options has taken place in order that:

- The scope of the proposed re-procurement [like for like] is fit for purpose.
- Key risks and dependencies were flagged for discussion and review.
- the procurement strategy and scope may be finalised
- the associated tender documentation can be completed
- the tender process can commence promptly.
- An appropriate contract term can be articulated to bidders.

A paper is attached at Appendix B which sets out the context for the services, the interdependencies with other compliance and technical upgrade programmes, and regulatory dates.

The outcome of the review with IT and the Payments team is that the known risks and interdependencies are manageable, and Procurement and Payments should proceed to re-



procure on a like for like basis, Option A. An alternative option B was put forward for review and a Legal Risk note accompanies this appendix.

Board are asked to note the contents of this paper and advise on whether any oversight reporting should be submitted to ARC and/or Board at regular intervals.

Approvals Sought

1. PREN 19 – Practical Law Subscription
2. PREN 20 – **Pipeline** PREN EUC Services [Noting only]
3. PREN 21 – Lexis Nexis Subscription
4. PREN 22 – Trademark Mgmt Services
5. PREN 23 – Lexington Communications

APPENDIX A

PREN's 19-23, Legal Risk note for PREN 20

APPENDIX B

Payment Exceptions Options Paper and Legal Risk Note

APPENDIX A

Procurement Risk Exception Form

1. Business area or Project Details					
Date Raised	09/07/2020	Business Area/Project	LCG	GE Member	Ben Foat
Raised By		GE-1 Exception Owner		Value of Award	Up to a further over 3 years
				Total Value	Up to 2015-2019: 2020: 2021: 2022:
2. Exception Details					
Exception Title	Award of Contract Extension to Thomson Reuters for provision of Practical Law Company (PLC) for the next 3 years				
Exception Type (New/ Contract Extension)	Extension	Exception Category	Regulation Breach	Exception ID	PREN19
Detail of contract being entered into / extended.	<p>Subscription to PLC for the Legal Team.</p> <p>PLS is a web-based subscription services to law firms and law departments across a range of specialist subject areas such as corporate, finance, property, tax and intellectual property. PLC provides Legal research materials, updates and precedents and is a critical resource for in house teams.</p>				
How long are you asking the business to tolerate / accept this risk? (duration)	6 months	Start date	31 July 2020	End Date(s)	31 January 2021
Why does this contract need to be entered into / extended now? What is the reason for the urgency?	The current contract with PLC expires on 31 July 2020. A new contract with PLC needs to be entered into before expiry of the current contract in order to provide the resources to the Legal team. Extending the contract by 3 years (as opposed to 1) enables Post Office to realise savings of 7% on fees in years 1 & 2 and 4% in year 3.				
Impact if Exception Declined	If the exception is declined POL's subscription to PLC will end on 31 July 2020. The Legal Team will not have access to materials to research the law and advise the business on legal issues. This will cause delays to advice being provided and likely increase reliance (and fees incurred with) external firms				
PCR Risk Mitigation	Y/N			Regulation X Exemption: N	
PCR Risk Level [shade as appropriate]	LOW x	MEDIUM	HIGH	Legal Risk Note supplied	Y/N
3. What controls are in place, actions completed or work in progress to mitigate the risk?					
Control or Action detail	Target Date		Action or Control Owner [business / procurement]		
No mitigation activities for this engagement are available	31 January 2021		LCG		

8.2

Procurement Risk Pipeline Form

1.Business area or Project Details					
Date Raised	02 July 2020	Business Area/Project	IT/ End User Compute	GE Member	Jeff Smyth
Raised By		GE-1 Exception Owner		Value of Award	(BAU service costs during TAP)
				Total Value	full life costs April 2015 – April 2021
2.Risk Details					
Risk Title	End User Compute – Termination Assistance/Exit Services Pipeline Risk				
Risk Type (New/ Contract Extension)	Extension Termination Assistance Period	Exception Category	Regulation Breach	Exception ID	To be provided by Procurement
Detail of contract at risk of exception request and its purpose.		<p>Post Office Limited (POL) End User Computing (EUC) is currently supported by Computacenter (CC) until 29th April 2021. The current contract covers provision and support for all of POL's Colleague, (e.g. Laptops, printers, central login mechanism, etc.), Branch end user compute environments (e.g. Counter hardware that executes Horizon, receipt printers, PEDs, etc.) as well as Shared Services (e.g. components used by both Colleague and Branch such as Microsoft Active Directory). This contract has been in place since 30 April 2015 and POL has already utilised all available compliant options for extension. Our contract will end on the 29th April 2021 and this end date is known by other providers of similar services (DXC, Accenture and, SCC).</p> <p>Based on the remaining time on the CC contract, the time to prepare for and then run a competition(s), followed by the time to transition services, it is not possible for POL to exit and transition all services before the April 2021 contract end date, regardless of which strategy is utilised.</p> <p>Due to the contract end date of April 2021, it is highly likely that we will need to utilise a contract mechanism called the Termination Assistance Period (TAP). Its primary use is to allow Computacenter to continue to deliver live services whilst a new incumbent (or POL) transitions services away. The TAP is for a maximum of 24 months but must be used for exit activities only and cannot be used to simply extend or transform the existing service. In addition, legal advice has confirmed that to utilise TAP correctly, POL must satisfy three broad tests:</p> <ol style="list-style-type: none"> 1. POL must be in advanced stages of any procurement / tendering activity (ideally with a signed contract with a new incumbent) 2. Any utilisation of TAP has been minimised as far as possible 3. Utilisation cannot be a means to surreptitiously extend the contract <p>This means that by April 2021, POL must be demonstrably and overtly in the process of exiting the existing contract.</p> <p>There is a potential risk that POL will not have completed the procurement exercise by April and may utilise the TAP for BAU services whilst the new contracts are put in place.</p>			

8.2

Procurement Risk Pipeline Form

How long may asking the business to tolerate /accept this risk? (duration)		Start date	30 April 2021	End Date(s)	30 September 2021
<p>What commercial options have been considered?</p> <p>Why is the chosen option now at risk of non-delivery?</p>	<p>The recommendation, supported by GE at its meeting on 01 July is Option i, to move to compete the procurement exercise for new contract(s), (3yr + 2yr), before April 2021 with transition completed by Sept 2021.</p> <p>This strategy provides the greatest opportunity for optimising savings (due to deal size) and via a structured procurement. This requires an upfront investment of CAPEX spend of [REDACTED] and is the existing strategic direction (as of December 2019), albeit with greater utilisation of the TAP than originally envisaged due to Covid19 delays. This would allow us to proceed to market in a standard, structured fashion with a view of transitioning services to a new supplier. This potentially offers only lower (but predictable) in year OPEX savings which are currently estimated at approximately [REDACTED]. There is however a greater possibility of obtaining on-going OPEX savings post 2022/23 (assuming 21/22 is lost due to transition charges) as a result of the tendering activity. This could be in the region of [REDACTED] pa post transition and transformation.</p> <p>Other Options:</p> <p>Option ii - Compete a short contract now (1yr + 1yr) but limit service redesign. Use Crown Commercial Services frameworks, (or equivalent), to accelerate procurement.</p> <p>This requires an upfront invest of CAPEX spend of [REDACTED] which would be similar to option i. Redesign of service requirements would be limited to minimal changes to facilitate the quickest procurement process. Effectively that would mean we roll forward with the existing contractual requirements. Once a new incumbent is selected, transition would begin. However, due to the short timescales of this contract, another competition would be required by the start of year 2 and transition costs would be doubled.</p> <p>Option iii - Start procurement work in Spring 2021 to complete transition by September 2022</p> <p>This is similar to option i but contains significantly more legal, (PCR), and operational risk as a result of extended delays to the start of the procurement activity. It would require an upfront invest of [REDACTED] CAPEX spend. It could offer a similar OPEX saving to strategy i, which is currently estimated at c. [REDACTED] prior to April 2021 but then might offer further savings of [REDACTED] after April 2021. This would be due to early termination, reduction of services and other discounts provided due to an extended operating tail on the contract. We could defer [REDACTED] CAPEX spend from 20/21 to 21/22 on to 21/22 and 22/23.</p> <p>Option iv - Seek an agreed extension with incumbent supplier now (2yr + 1) then compete in late 23/24</p> <p>This option contains the highest level of risk but also potentially allows for the greatest level of commercial reward. It would require a minimal amount of CAPEX spend of [REDACTED] in 20/21 and depending on transformational desire, we could provide CAPEX spend of [REDACTED] to unlock further savings of [REDACTED] and potential cost avoidance of [REDACTED] in any further period. It could provide an OPEX saving of potentially [REDACTED] plus potential for further savings of c. [REDACTED] pa as a result of efficiencies post transformation and a direct discount due to an extended term. Transformational work could be done as part of any new award and benefits would scale with the amount of this transformation work completed.</p>				

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Procurement Risk Pipeline Form

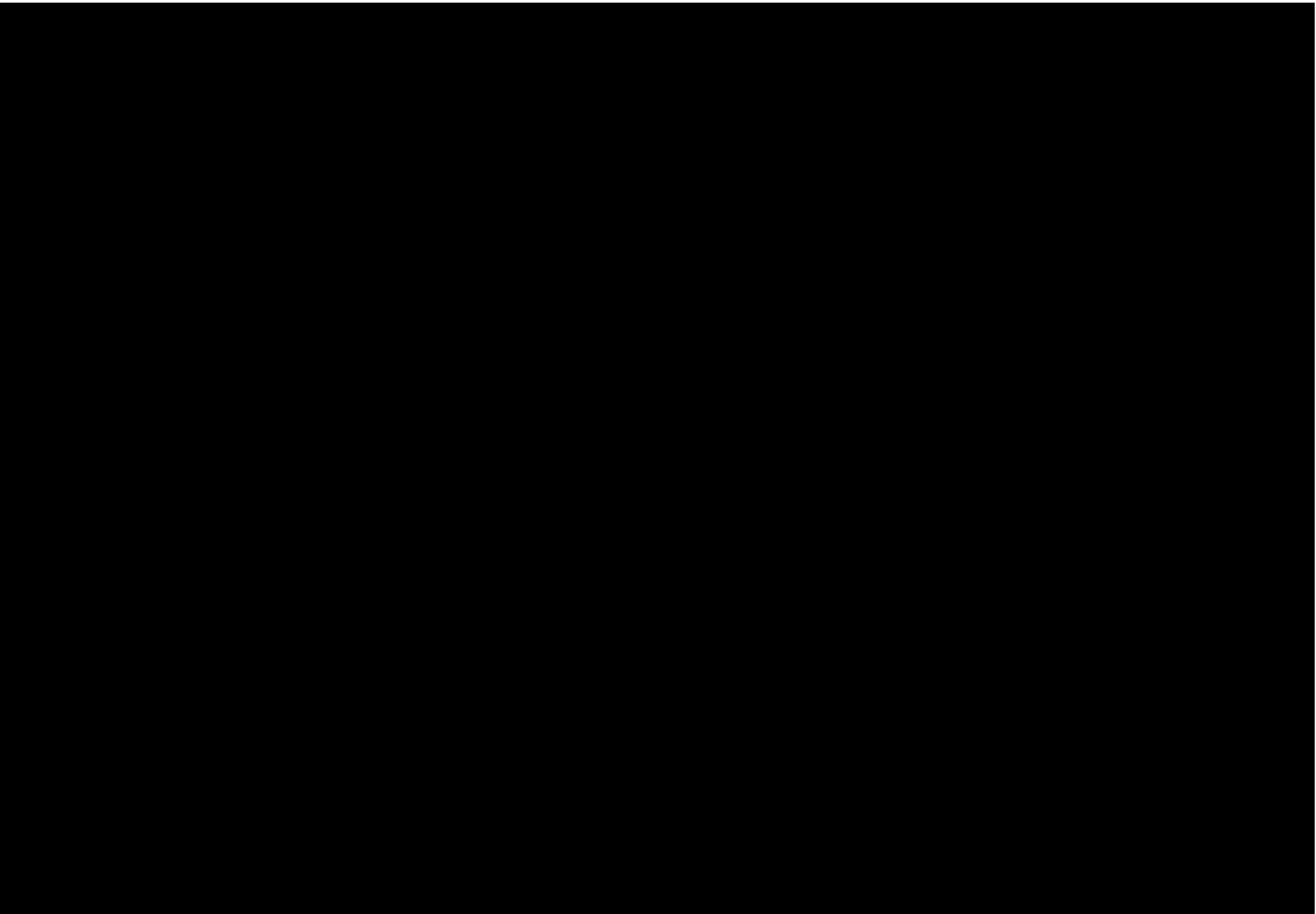
	Whilst commercially this may be attractive given other financial demands on POL it is not our recommendation given the high level of reputation, financial and legal risk attached			
What is the recommendation from Procurement? [Include alternative approaches and detail risk mitigation options if available]	Procurement fully support option i to commence the procurement exercise immediately and to have contracts in place by April 2021. To achieve this the project will need to: <ul style="list-style-type: none"> • Updated IT EUC strategy – by 31 July 2020 • Consider whether we run a combined procurement for Admin and Branch or split the procurement into two – by 07 August 2020 • Finalise the Target Operating Model to confirm the position in relation to in-sourcing, smart-sourcing and out-scoring – by 31 July 2020 • Prepare requirements for Admin and Branch, this will determine whether we are looking at single contracts, multiple contracts or lots within contracts – by 28 August 2020 • Sourcing strategy, this will determine the approach to market, (procurement's view currently is that we will utilise CCS frameworks for the replacement contracts, this will save time and money, (Call-off contract durations can be from 2 to a maximum of 7) – by 07 August 2020 • Issue a PIN notice and hold market engagement events to notify supplier of our intention to go to market and get validation of requirements and approach – by 07 August 2020 • Prepare and Issue procurement documents – by 30 September 2020 			
PCR Risk Mitigation	Yes, as per Legal Risk Note		To commence re-procurement as soon as possible.	
PCR Risk Level <i>[shade as appropriate]</i>		MEDIUM	Legal Risk Note supplied	Yes

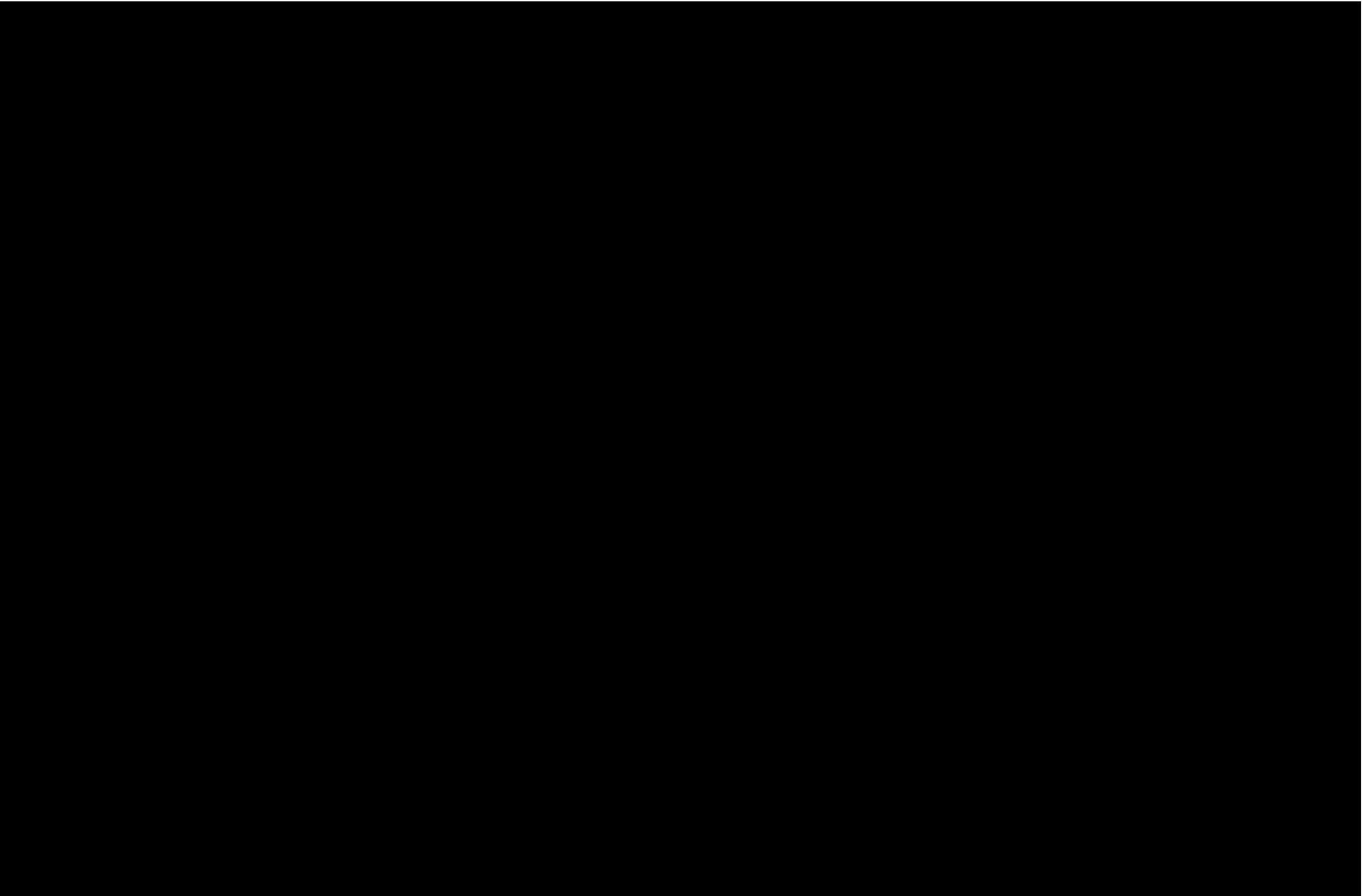
8.2

3. What controls are in place, actions completed or work in progress to mitigate the risk?		
Control or Action detail to prevent a Risk Exception and/or to ensure it is constrained to the minimum period of risk possible. Include PCR Risk mitigations.	Target Date	Action or Control Owner [business / procurement]
Finalise the target operating model, (TOM), and requirements for both Colleague and Branch by the end of August 2020 to allow the procurement exercise to begin in September.	31 August 2020	
Once TOM and requirements are agreed utilise existing CCS frameworks for the procurement exercise as this will significantly shorten the required timescale and cost for the procurement element of the project	31 August 2020	
<i>If no mitigation activities are feasible, insert an end date 6 months after contract award or 6 years if the award is not to be notified to the market.</i>		

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[REDACTED]	
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Procurement Risk Exception Form

1.Business area or Project Details					
Date Raised	07/07/2020	Business Area/Project	Finance	GE Member	Alisdair Cameron
Raised By	██████	GE-1 Exception Owner	██████████	Value of Award	██████
				Total Value	██████████
2.Exception Details					
Exception Title	Retrospective Approval for Award of Contract Extension to July 2022 with Lexis Nexis				
Exception Type (New/ Contract Extension)	Extension	Exception Category	Regulation Breach	Exception ID	PREN21
Detail of contract being entered into / extended.	Lexis Nexis – licence extension for 2 years.				
How long are you asking the business to tolerate / accept this risk? (duration)	24 months	Start date	July 2020	End Date(s)	July 2022
Why does this contract need to be entered into / extended now? What is the reason for the urgency?	<p>A two year contract extension with Lexis Nexis (total ████████ year) has already been executed.</p> <p>This provides POL with on-line access (for two staff) to the Tax and Legal resources which enable POL to keep up to date with all the latest developments in the world of tax.</p> <p>The subscription covers VAT, Corporate Tax and Employment tax – all the key areas of risk for the business.</p> <p>POL receive alerts and updates on developments in tax and regularly access the HMRC manuals, the practice guidance and law to enable the tax team to provide advice and support to the business both on a day to day basis and also on specific projects.</p> <p>The Big 4 accountancy firms, other top tier firms, as well as law firms all access the Tolley's Library and Guidance (which is the branding of Lexis Nexis).</p> <p>POL cannot provide advice to the business without access to such resources. The subscription was budgeted for in the central finance tax support budget signed off for this year.</p>				
Impact if Exception Declined	POL will be unable to provide support to the business until a reprocurement exercise is completed				
PCR Risk Mitigation	Y/N			Regulation X Exemption	
PCR Risk Level [shade as appropriate]	LOW	MEDIUM	HIGH	Legal Risk Note supplied	N

3. What controls are in place, actions completed or work in progress to mitigate the risk?		
Control or Action detail	Target Date	Action or Control Owner [business / procurement]
Due to limited potential suppliers in the marketplace – run a mini RFP in 2 years between the 2 potential suppliers (Lexis Nexis is one of these)	01/07/2022	██████ ████████ ██████████

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Procurement Risk Exception Form

1.Business area or Project Details						
Date Raised	08/07/2020	Business Area/Project	Marketing	GE Member	[REDACTED]	
Raised By	[REDACTED]	GE-1 Exception Owner	[REDACTED]	Value of Award	[REDACTED]	
				Total Value	[REDACTED]	
2.Exception Details						
Exception Title	Award of contract to CPA Global					
Exception Type (New/ Contract Extension)	New	Exception Category	Regulation Breach	Exception ID	PREN22	
Detail of contract being entered into / extended.	CPA Global undertakes trademark POL intellectual property portfolio – including POLs digital domains and Trademarks.					
How long are you asking the business to tolerate /accept this risk? (duration)	12 months	Start date	1 st August 2020	End Date(s)	31 st July 2021	
Why does this contract need to be entered into / extended now? What is the reason for the urgency?	<p>The service has recently transferred to the marketing team and the previous team are no longer in POL – no record of a contract can be found. Therefore, to ensure continuity of supply and protection of POLs commercial position a formal contract is required.</p> <p>The supplier provides the following services: Trademark portfolio management, ensuring that we retain our intellectual property assets, and do not 'miss' any important renewals that protect our assets.</p> <p>CPA manages our intellectual property portfolio, e.g. renewals come into them, they check if POL want to retain each piece of I.P. registered trademarks eg 'post office limited' 'post office money' and so on. If POL do not reply, they acknowledge this as we want to keep the trademark and therefore pay the renewal fees and CPA then invoice us.</p> <p>A new process will need to be put in place whereby all IP renewals will be sent directly to POL – currently they are sent by letter.</p> <p>This 1 year contract will ensure we 'keep the lights on' whilst the business review the process and then go to market to run a procurement process.</p>					
Impact if Exception Declined	Without this service POL could lose both trademarks and digital domains.					
PCR Risk Mitigation	Y/N			Regulation X Exemption		
PCR Risk Level [shade as appropriate]	LOW	MEDIUM	HIGH	Legal Risk supplied	Note	N

3. What controls are in place, actions completed or work in progress to mitigate the risk?		
Control or Action detail	Target Date	Action or Control Owner [business / procurement]
Run a new procurement in the commencing in 6 months for these services once the new process has been agreed with the business with CPA as one of the potential suppliers with a maximum spend threshold of £190k over a 3 year period	31 st July 2021	[REDACTED]

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Procurement Risk Exception Form

1.Business area or Project Details						
Date Raised	07/07/2020	Business Area/Project	Group Corporate Affairs and Communications Director		GE Member	Richard Taylor
Raised By	██████	GE-1 Exception Owner	██████████		Value of Award	██████
					Total Value	██████████
2.Exception Details						
Exception Title	Retrospective Approval of Award of Contract to Lexington Communications					
Exception Type (New/ Contract Extension)	New	Exception Category	Regulation Breach		Exception ID	
Detail of contract being entered into / extended.	Lexington have been used by the business for specialist parliamentary and government advise services. Spend has been accrued and further work is required therefore a contract needs to be entered into to cover POL for these services					
How long are you asking the business to tolerate / accept this risk? (duration)	12 months	Start date	1 st August 2020	End Date(s)	31 st July 2021	
Why does this contract need to be entered into / extended now? What is the reason for the urgency?	<p>2019/20 spend was █████ and a further █████ of work has been undertaken with the supplier recently relating to urgent work on the BEIS select committee and on GLO (Horizon issues-judgment contingency work).</p> <p>There is no compliant contract in place and further work is planned in the near future. Therefore, a contract needs to be entered into to cover POL for these services in the short term</p> <ul style="list-style-type: none"> The business is experiencing an extremely high degree of sustained scrutiny from Government and Parliament, for which it requires specialist advice, including the hand-on training of senior executives (including the CEO, CFO and General Counsel), as well as the Chairman to give evidence before it. These services are only partially provided in-house, given the rarity with which they are typically sought. Other providers exist, naturally, but this provider has particular insight and experience of Post Office needs. The business view of the risk of challenge is Low. 					
Impact if Exception Declined	The business will have no access to this advice until a procurement exercise is completed					
PCR Risk Mitigation	Y			Regulation X Exemption		
PCR Risk Level [shade as appropriate]	LOW	MEDIUM	HIGH	Legal Risk Note supplied	N	

3. What controls are in place, actions completed or work in progress to mitigate the risk?		
Control or Action detail	Target Date	Action or Control Owner [business / procurement]
Run a procurement using either a framework or a mini RFP or in early 2021 to enter in to a contract to cover up to a total spend of £190k	31/07/2021	██████ ████████

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APPENDIX B



POST OFFICE LIMITED BOARD REPORT

Title:	Card Acquiring Contract Renewal [Global Payments]
Meeting Date:	28 July 2020
Author:	[REDACTED] & Andrew Goddard, MD – Payzone [REDACTED]
Sponsor:	Owen Woodley, Group Chief Commercial Officer

Input Sought

Action Required: Noting	<p>Board is asked to note the GE decision to adopt recommendation A below, on the re-procurement of the Global Payments Card Acquiring Services to Post Office.</p> <p>Two options were reviewed, noting the risks against each option. This was discussed and agreed with the relevant executives and a recommendation was made to GE on 15 July 2020.</p> <ul style="list-style-type: none"> Option A: to continue to market to procure like for like card payment services under the CCS framework, or; Option B: to extend the existing Global Payments (GP) contract for a further 9 months in order to complete a re-tender process taking into account an assessment of, and the additional requirements of the strategic and commercial implications of inter-related major projects, namely PCI, payment terminal device renewal, and replacement of FJ Horizon contract.
Previous Governance Oversight:	<ul style="list-style-type: none"> Previous approval has been granted to take up a 6 month GP contract extension from 9 May 2020 to 8 November 2020 (PREN4 April 2020). This PREN indicated an intent to procure like for like replacement services and complete the process by November 2020. The current contract extension includes up to 24 month exit assistance provision whilst the PCI DSS remediation programme is completed. This remediation is now targeted for closure in June 2021. Guidance was sought on the sourcing options, in particular optimum contract terms for the re-procurement under the CCS framework given key

	interdependencies on the Post Office regulatory and strategic technical roadmap.
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Executive Summary

Context:	<p>GP have provided POL with transaction processing (Merchant Acquiring and Payment Gateway) Services across card payment channels in branch, online (web and app) and via telephone, under approved PCR compliant contract since 2012.</p> <p>It is critical for POL to provide PCI-DSS compliant card acquiring services under a PCR complaint framework that will also enable the procurement of future card terminal devices by 2023, and account for the end of the FJ Horizon contract in 2023. This is a very complex set of inter-related components with varied contract and project milestones (as illustrated in Appendix 1), and significant commercial implications.</p> <p>CCS recently let a multi-Lot and multi-supplier Payment Acceptance framework to provide the options for POL to either procure like for like services, or exploit the full benefits by procuring ancillary services, across one or multiple Lots.</p>
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Questions asked & addressed

1. What procurement options are we proposing and why?
2. What are the current and future risks of the contract being extended?
3. What are the next steps required to progress?

Report

Overview

4. The OJEU Notice to provide transaction processing services across all card payment channels was advertised for a period of 5 years with the option to extend for a further 2 x 12 months. The contract, however, was entered into for a period of 5 years in 2012 with 3 x 12 month renewal options, with expiry in May 2020.
5. External legal procurement advice from both CMS Cameron McKenna LLP and Stephenson Harwood (SH) concluded that there were no significant risks associated with this third extension which has been taken up, following Board approval, to May 2020. A further 6 month extension was agreed (April 2020 (PREN4)) to undertake a re-procurement under the CCS Framework Agreement for existing like for like services only, with an up to 24 month exit period. Advice has been sought from external legal counsel Pinsent Masons to provide a risk assessment of the current and potential further extension to support the procurement options presented in this paper. This is appended to this paper as Appendix 2.
6. Given the updated legal risk advice and the intention to use the flexibility of the CCS Framework to start the "building blocks" of the unified-channel approach, we are setting out the options and benefits in this paper to determine the optimum procurement approach POL should take.

Options, benefits, risks

7. The CCS framework offers POL a range of payment services to procure from and caters for the provision of:
 - 7.1 payment terminals;
 - 7.2 card acquiring;
 - 7.3 fraud avoidance;
 - 7.4 payment gateway services
 - 7.5 alternative payment methods (APMs) such as Open Banking payments; and
 - 7.6 consultancy services.



8. The procurement options are outlined in the table below and the contract timelines in brackets are the recommended contract terms that will provide the maximum flexibility for POL to cater for decisions on payment devices (by 2022/3), network models and operating costs, and the potential replacement of FJ as a service provider.

	Option/ Term*	Description/ Actions	Pros	Cons	Benefits	PCR Risk	Rank
TACTICAL	A Short-term Like for Like (2 + 1 + 1 + 1)	<ul style="list-style-type: none"> Only procure like for like services & defer ancillary services to a later tender via the Framework Minimum services tendered Lot 1 	<ul style="list-style-type: none"> Shortest procurement timescale Option and greatest flexibility still to run separate tenders including a full service offering 	<ul style="list-style-type: none"> Defers benefits from economies of scale and innovations May cause supplier lack of interest or higher pricing 	Low	Low (None)	1
STRATEGIC	B Strategic Full Service Offering (3 + 1 + 1)	<ul style="list-style-type: none"> This would give the capability of meeting the full strategic solution. Exploit full offering under Lot 1 including payment hardware 	<ul style="list-style-type: none"> Maximises economies of scale to leverage ancillary services e.g. leasing hardware Simplifies compliance & faster innovation across all channels 	<ul style="list-style-type: none"> Longest procurement timescale Longer to prepare more extensive documentation for RFQ/ Tender 	High	Medium (9 Month)	2

*(Call-Off Term - Max 5 yrs. 10 days' notice to terminate after 90 days without any early termination costs)

9. The recommended tactical approach aligns with the agreed governance approach to procure payment services under the CCS framework. This will ensure the continuity of card acquiring services but in the event the incumbent provider is unsuccessful, there is a cost of transition in the region of £1m. In addition, in order to not to impact the PCI DSS program, a new service provider will need to ensure the continuity of regulatory dispensation for the payment terminals until the device renewal program is completed in 2022/3. This device renewal programme is out of scope for a like for like re-procurement but this procurement can follow at a later stage.
10. The scope of a strategic full service offering would bring together the full payment device requirements (card terminals, kiosks, Paystation), card acquiring services (digital, branch) and would have the advantage of achieving greater economies of scale by leveraging the volume and value of this contract (c100m transactions p.a.). In order to proceed with this route, a non-compliant extension to the current GP contract for a period of 9 months would be required.

Risk Assessment, Mitigations & Legal Implications

11. The assessment of risks, mitigations and legal implications is provided in the table below:

#	Risk / Legal Implication	Mitigation / Control
1.	Discrepancies between original OJEU notice (7 years) and executed contract term plus extensions (10 years), value, and service scope. Leading to a possible procurement challenge for the extension periods beyond the advertised OJEU.	Compliant re-procurement via CCS framework launched Feb 2020. The market was informed via email (H1 2019) of the new CCS framework Tender, and more recently in a pre-market engagement forum (June 2020), so it is unlikely that one of the Framework Suppliers would challenge.
2.	Financial Impact:	Deferring the potential transition to a new supplier from a 9 month extension with Global Payments means we could prioritise:

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	<ul style="list-style-type: none"> - Regulatory costs/fines due to PCI non-compliance leading to potential loss of client contracts and regulatory breaches. - Transition costs (c£1m+) of migrating from legacy infrastructure if the PCI-DSS remediation programme is further delayed. - Damage claims for breach of PCI compliance under client contracts <p>Leading to potential loss of client contracts and regulatory breaches</p>	<ul style="list-style-type: none"> - the continuation of the services whilst the PCI remediation is completed (targeted June 2021); and - gathering the requirements for the wider procurement scope and target operating model of a single transaction hub unified across all channels. - Capex and/or Opex costs would be minimised by transitioning services, including new payment devices, post PCI-DSS remediation programme is completed
3.	<p>Operational</p> <ul style="list-style-type: none"> - PCI remediation programme is further delayed - Maintaining re-gained PCI compliance on the legacy infrastructure during the period of transition within the 24 month exit period (see Appendix 1) 	<ul style="list-style-type: none"> - Formal accreditation testing for GP card acquiring services has been brought forward to H2 2020. The inclusion of a 24 month exit provision in the last 6 month GP contract extension caters for any delay in the PCI programme - Set this out in the procurement documents that the new supplier must be able to take on the current legacy infrastructure as well as any new equipment, compliantly to all regulatory standards

8.2

Other Options Considered

12. The option of POL carrying out our own full OJEU compliant procurement exercise was deemed not to be the optimal approach because of the following reasons:
 - a. The higher cost of running the full procurement exercise ourselves versus leveraging the CCS framework which POL has provided significant requirements and other inputs to;
 - b. The CCS Payment Acceptance framework provides greater flexibility as POL, across the various procurement Lots, can either i) directly award contracts to suppliers post an in-house desktop exercise ii) carry out a further "mini-competition" with suppliers to reduce pricing and/or obtain services more tailored to POL's wider requirements, including merchant acquiring equipment.
13. Undertaking a desktop exercise and making a compliant direct award under the CCS Payment Acceptance Framework has been discounted as this would not extend to cover all of POL's specific requirements without running a further mini-competition.



Next Steps & Timelines

14. The steps required to progress each option (detailed in section 8 above) are provided in the table below

Activity	Option A	Option B
Pre-Market Engagement Session	June 2020 (completed)	
POL Procurement Strategy Confirmed (Governance	July 2020	
RFI	Jul / Aug 2020	Oct 2020
Virtual Supplier Workshops	Aug/Sept 2020	Nov 2020
Launch Formal Tender Process	Oct 2020	Jan 2021
Evaluation Complete (Governance approvals)	Oct 2020	Mar 2021
Award & Contracts Signed	Nov 2020	April 2021
PCI Upgrade Programme is completed	June 2021	June 2021
Go Live Date	Nov 2020* Nov 2021^	April 2021* April 2021^

* If incumbent retains services

^ If awarded to new supplier

- Option A (tactical) it is not envisaged that it will require a further extension
- Option B (strategic) will require a longer extension to allow for more extensive requirements gathering as well as alignment to other strategic POL programmes. Slippage of the PCI programme unless material (>3 months) would not impact the go live date.
- Delegated authority will be required from Board for Option A to execute the contract promptly in November in order to avoid a further interim extension.

Recommendation

15. Approval is sought to continue with the tactical re-procurement, Option A for the provision of like for like services, noting the material interdependencies and risks which will need to be managed.

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Appendix 1 – Programme Interdependency Timelines

		2019	2020	2021	2022	2023	2024	2025	2026
		H2	H1	H2	H1	H2	H1	H2	H1
	CCS		Live (Feb)						
NEW CCS Framework Contract	POL		Supplier Pre-engagement (June)	Re-tender (like for like) Award	Commence new contract 24+1 with incumbent OR	(+1)	(+1)	Re-tender (+1)	New Contract
Global Payments (GP)	Contract		PREN4 (April) 6 months	Expiry (8 Nov) 1) GP - new contract 2) GP Ext - new supplier contract	Complete PCI Remediation Target Date 1/7/21; Commence Exit if applicable	Maximum 24 Month Exit period expires		(+2)	(+1+1+1) to end 2028
		2019	2020	2021	2022	2023	2024	2025	2026
		H2	H1	H2	H1	H2	H1	H2	H2
PECS - Ingenico		PCI PTS Waiver (Oct)		PCI PTS expires (April)	Possible at risk period for PCI accreditation currently via GP	Latest point to procure Upgrade	Network PED Equipment upgrade	PCI PTS Sunset (March)	
P2PE - FJ/Ingenico	Retail		GP/ Card Scheme Accreditation	Switch-over from legacy Horizon to P2PE (PCI Compliance)		Ingenico Contract novates to POL			
	Banking			USS/NoOLink Accreditation					
Horizon - Fujitsu (FJ)	Counters					Contract Expires (March)			

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[REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[illegible]

Year	Number of cases
2010	10
2011	15
2012	20
2013	25
2014	30
2015	35
2016	40
2017	45
2018	50
2019	55
2020	60
2021	65
2022	70
2023	75
2024	80
2025	85
2026	90
2027	95
2028	100
2029	105
2030	110

[REDACTED]

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POST OFFICE LIMITED BOARD REPORT

Title:	Post Office Operating Model	Meeting Date:	28 July 2020
Author:	[REDACTED]	Sponsor:	Lisa Cherry

Input Sought: Decision

The Board is asked to:

1. **Approve: £11.1m** of full delivery spend for Post Office Operating Model, Tranche 1, which goes live in September 2020 to enable the removal of net c. **113** FTEs. This spend comprises:
 - a. Removal c. **173** non-DMB roles with in-year benefits of c. **£4.6m** for 20-21 and associated VR costs of **£9.0m**
 - b. Estimated 60 FTE capability builds predominately across IT, Data & MI and Commercial with in-year costs of **£2.9m** (worst case); one off recruitment costs of **£0.8m** (worst case)
 - c. Programme costs of **£1.3m** until the end of December to design, deliver and embed the change
 - d. Deliver net **£1.7m** benefits in 20-21 and **£5.9m** annualised benefits after capability build

Previous Governance Oversight

- 14 May 2020: Board Update on the 20-21 baseline and 4 year outlook outlining potential in year FTE reductions of c. 250 non-DMB staff with a cost of £24m, subject to Board support.
- 15 July 2020: GE meeting to approve High Level Design, Tranche 1.

Executive Summary

CV-19 has increased the urgency for POL to right size its cost base, accelerating already planned people changes to support our purpose, our strategic priorities and embed new ways of working. It has reaffirmed 1) our current staff cost base is not affordable and 2) what is possible when colleagues have clear roles and responsibilities, are highly engaged and focused on making a difference. CV-19 has proved we can change, adopt new ways of working and operate with fewer people to be more productive.

Further tranches of FTE reductions are anticipated to achieve at least the c 250 FTE indicated in May 2020 Board paper and will be presented to Board in the autumn based on learnings from this Tranche - c. £ 0.18m of technology resources are included in programme costs to scope out the technology investment to unlock FTE reductions for future Tranches, together with clear prioritisation and broader funding requests. In the 4YP submission, a further £9.0m has been assumed for restructuring costs for the remainder of this current financial year.

Questions addressed

1. What is our current forecast for non-DMB FTE reduction, Tranche 1, in 20-21?
2. What are the costs and benefits of Tranche 1?
3. What is the capability build plan to set up?
4. What is the cost of the Programme Team and the change that needs to be embedded?

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Report

- The scope of the net FTE reduction includes organisation restructure, redundancies and capability build across non-DMB staff base (support functions and supply chain); latest proposals as follows:

Function	Accountable GE Member	26 Jun 2020 Actuals	Annualised Employment Costs £m
Commercial (Incl. Payzone & POI)	Owen Woodley	258	20.3
Marketing and Brand	Emma Springham	56	4.9
Retail & Franchise Network	Amanda Jones	1,357	52.4
IT	Jeff Smyth	94	8.5
Finance	Al Cameron	108	8.6
People	Lisa Cherry	103	6.6
Legal Compliance Governance	Ben Foat	73	6.1
Corporate Affairs and Comms	Richard Taylor	32	3.4
Strategy & Transformation	Dan Zinner	65	6.7
Operations	Al Cameron	324	12.6
Supply Chain	Al Cameron	761	26.8
Health and Safety	Al Cameron	6	0.5
Procurement, Risk, Audit, MI	Al Cameron	32	3.5
Chief Executive Office	Nick Read	2	
Total ex Other Programmes		3,270	160.9

Tranche 1					
Role removals	Capability build	Net FTE	Forecasted Net Severance Costs £m	Forecasted Benefits (FY20/21) £m	Forecasted Benefits (Annualised) £m
33	5	28	1.6	0.8	2.1
14	-	14	0.9	0.6	1.5
33	1	32	1.8	0.3	1.3
5	28	(23)	0.3	(1.2)	(2.2)
17	6	12	1.1	0.3	0.8
9	2	7	0.5	0.2	0.4
-	-	-	-	-	-
12	3	9	0.7	0.3	0.8
4	1	3	-	0.2	0.4
5	-	5	0.3	0.1	0.2
41	5	37	1.9	0.6	1.4
-	-	-	-	-	-
-	10	(10)	-	(0.4)	(0.7)
-	-	-	-	-	-
173	60	113	8.9	1.7	5.9

- The total costs and benefits of the programme are anticipated below. These represent a high level plan with detailed work ongoing. The actual numbers and mix across functions are likely to change with a variance of +/- 10%.
- Through the Detailed Design process we may uncover changes to FTE reductions through spans and layers which may result in an increase or decrease to the overall cost and number of FTE identified.
- The Detailed Design phase will complete in mid August; FTE numbers will be locked down and approved by GE in mid August before moving into the Delivery phase of the Project.

8.3

Expected Tranche 1 Impact	VR	Recruitment	Benefits - FY20/21	Annualised Benefit FY21/22	Net FTE
Franchising, Marketing and Commercial reductions	£4.3m	£0.1m	£1.7m	£4.8m	74
Enabling Functions reductions	£2.6m	£0.7m	£(0.7)m	£(0.5)m	(2)
Back office - Supply Chain & Operations reductions	£2.1m	-	£0.7m	£1.6m	42
Tranche 1 VR Costs	£9.0m	£0.8m	£1.7m	£5.9m	113

Expected full delivery	£m
VR Cost	£9.0m
Recruitment	£0.8m
Programme costs	£1.3m
Expected full delivery	£11.1m

- Programme costs of £1.3m are based on last year's experiences of SLC and requirements of MTSF/procedures.

Risk Assessment, Mitigations & Legal Implications

- A number of reputational and execution risks are associated with these FTE reductions:
 - External reputational damage of reducing FTE:** Mitigated through authentic messaging, autumn timeframe, strong communications and focus on our purpose, strategic priorities and trading reality. Reminder that Government goal is for a self-sustaining POL
 - Damaged employee trust following positive COVID-19 pulse survey results:** Mitigated through authentic messaging, strong communications, embedded with

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refreshed culture, colleague engagement, clear roles and responsibilities and objectives; we know from recent pulse survey comments that colleagues are expecting FTE reductions

- c. **Ability to execute:** Our ability to achieve the desired outcome will depend on the clear prioritisation of this programme by the GE. We will provide clear, timely and frequent objectives and progress reviews to help drive prioritisation and action
- d. **Changing employment market/employment law:** Colleagues may be less willing to leave on voluntary redundancy for fear of not getting another role externally leading to compulsory redundancy situation which has not happened in POL over last 5 year years. We will strictly adhere to legal process and active management of legal risks with employer relations case managers; POL redundancy process could last up to 118 days (standard 90 plus 28 additional); reduction of consultation period to 45 days possible for SLP population with a new consultation forum
- e. **Multiple consultations:** A number of other initiatives are under discussion or underway that may require union and colleague consultation e.g. pay review. Union engagement is being planned carefully and coordinated
- f. **Loss of talent & knowledge management:** Talent identification underway; HR business partners to work closely with GE/GE-1 leaders to identify single points of failure; 90 days consultation period provides time for knowledge management
- g. **Shareholder optics of FTE reductions during extended government furlough scheme:** FTE reductions may not be acceptable until after the furlough scheme has ended (see other options considered). Mitigated by the deferral of reductions to the autumn
- h. **Wider organisational decisions:** The move to a new operating model will be dependent upon the future decisions and prioritisations that the organisation will make linked to NEO. This is partly mitigated by announcing Tranche 1 in September and planning further Tranches thereafter
- i. **Impact on Supply Chain:** Reducing staff in Supply Chain starting in September runs the risk of creating a 'hot-spot' at Christmas for any dispute in Supply Chain with CWU which would impact this busy trading period. On balance, Supply Chain colleagues are expecting FTE reductions and risk could be mitigated by using Loomis and RBS contractor staff, which was done during COVID-19, to keep Supply Chain running
- j. **Productivity during the change:** Clear, empathetic communications to colleagues impacted by change and those who are not to ensure colleagues understand why we are changing and how it impacts them; additional line manager effort for impacted teams
- k. **Embedding & supporting the change:** Colleagues may be unclear about their role and how to work effectively in new structures to ensure business continuity. Implementation will ensure smooth stand up of the new organisation with a strong change plan to embed new ways of working and strategic capability builds are in place.

Other Options Considered

Consideration has been given to:

- a. **Proceed with c. 140 FTE reductions starting in July:** This was our original plan but the timing of an autumn announcement was considered preferable
- b. **Not proceed with this initiative:** This would result in the loss of minimum £1.7m in benefits this financial year and a delay to progress our Post Office Operating Model implementation.

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POST OFFICE LIMITED BOARD REPORT

Title:	Health & Safety Monthly Report	Meeting Date:	28 th July 2020
Author:	[REDACTED], [REDACTED]	Sponsor:	Al Cameron, Group Chief Finance Officer

Input Sought: Noting

The Board is asked to note the contents of the report.

Previous Governance Oversight

- GE Safety Board 2nd July, next meeting 23rd July 2020.

Executive Summary

In Appendix A we summarise the KPIs over the last few years. We have included a comparison for P1-3 this year and last year. This shows a truly remarkable improvement. Of course, much of this is down to lockdown but it is still greater than we would have expected: Supply Chain is operating in its usual way, just with less volume. Our assumption is that people are just a little more thoughtful about their behaviour. The teams involved should be congratulated on this and we are also asking them to see if we can retain *some* of the benefit as lockdown ends.

We continue to respond to the risk due to Covid-19, taking appropriate action to ensure the health and safety of employees and Postmasters whilst delivering key services to customers. We have provided advice and guidance on self-isolation, social distancing of employees and customers, use of PPE and Government guidance on compulsory use of face masks by customers. Covid-19 Secure risk assessments have been completed for our properties, including DMBs, Supply Chain and Support Centres and risk assessments are being completed to support the return to work of essential field roles and our vulnerable colleagues during July, whilst consulting with Unions. We will continue to monitor and respond to Government and our CMO advice, carefully considering the health, safety and mental wellbeing of our people.

Progress is being made in 2 main areas flagged at Safety Board; development of a plan to address abuse and violence in branches through better reporting and improved training and action required in response to the Property Compliance audit undertaken by the HSE.

Unfortunately, the performance of one of our contractors, CBRE, was identified to be falling below the standard expected of it, with the directly consequential outcome being that POL was found, in one area of his sampling, to have been operating in breach of relevant H&S legislation. We are now fully compliant and are following advice from our external advisers, Pinsent Masons, are in legal dialogue with CBRE.

Violence and accident trends are down, possibly due to Covid-19 lockdown and greater focus in DMBs and Supply Chain. The main shift in recent years has been from guns to knives with injuries in 19/20 mostly minor and accidental, with crimes typically amateur. The greatest structural opportunities remain cash destruction technology, which is being piloted in Supply Chain carry cases, and rolling out more fogging equipment in branch. We have agreed a new preferred helmet and stab vest design following successful pilots and funding has been

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approved. The frequency of the Robbery Risk Assessment will increase to quarterly, including a review of delivery routes and branches to understand where additional mitigation is required. Stab vests will be made available and remain optional given that the impact remains unclear.

We continue to investigate the cause of the AEI machine fire at the Port Glasgow branch and have taken mitigating action to switch off all AEI machines overnight until the investigation is concluded. A number of meetings have been held between POL H&S, an appointed forensic fire investigator and the manufacturer's (Thales) investigators. A site visit to the laboratory has been arranged (24th July) for investigators to view the remains of the machine in an attempt to identify the cause of the fire and understand the potential risk to the rest of the network, with particular focus on the Power Control Unit safety system.

We have an emerging risk at our Portsmouth CViT depot where the Landlord is failing to respond to electrical, fire and general safety and hygiene concerns. Legal, Property and H&S are working closely together and have arranged for POL Contractors to attend to survey, test and undertake remedial work to ensure the safety of our people. Opportunities for alternative accommodation are also being explored.

Questions addressed

1. What are the trends on accidents and violence across Post Office?
2. Are there any significant risks emerging and what are we doing to mitigate?

Report

3. To mitigate risk from Covid-19, we continue to communicate with employees, Postmasters and our customers, providing guidance on following good hygiene principles and raising awareness by displaying posters. We are monitoring and following Government guidance and receiving regular updates from our Chief Medical Officer at Optima Health. We communicate with managers and colleagues using an online portal and are issuing guides and using a reporting tool. We have issued face visors to all branches, employees, Postmasters and their assistants to provide protection when social distancing cannot be maintained and we have provided hand sanitiser stations for customers in DMBs.

We continue to review POL premises Covid-Secure risk assessments and continue to supply Personal Protective Equipment (PPE) to DMBs, Supply Chain, essential field teams and Mobile PO operators. We provided initial supplies of gloves, soap and sanitiser to Postmasters together with guidance on social distancing, a supply of posters and floor decals. We have implemented an enhanced monthly clean in DMBs, Supply Chain (including vehicle cabs) and Support Centres whereby an anti-pathogen product is applied through fogging and is lethal to pathogens for 30 days once applied. Face visors have been distributed to all employees, Postmasters and assistants for when social distancing cannot be maintained and where it has been made compulsory for customers to wear face coverings in shops. We have provided posters to branches in England and Scotland for display to inform customers that they must wear face coverings in Post Offices.

4. We continue to provide wellbeing support to our admin centre colleagues who are temporarily working from home and avoiding travel on public transport in line with the latest government guidance. We are currently supporting our clinically vulnerable people in frontline roles to return safely to the workplace through sensitive 121 discussions, completion of individual risk assessments and familiarisation days at their workplace.

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5. During lockdown, robbery trend is down and over the past quarter there have been 23 incidents compared to 43 in the same period 19/20 and a similar favourable trend in weapons, including blades, down to 16 during the last 3 months compared to 26 in 19/20. General police crime trends suggest c.28% reduction over usual levels due to Covid-19. Overall robberies remain favourable due to Covid-19. There have been 17 Industry / POL Stakeholder activities over the period including engagement with Safercash, NFSP, ATM Steering Work Group, BRC, Scottish Information Sharing Forum, BOE, NI Banking Security Forum, PSNI Crime Operations & Security Working Party. YTD, 751 calls have made to branches by Security Managers focusing on crime reduction / supportive telephone calls, specifically those who suffered a crime in the last 12 months and areas of emerging trends.
6. Overall ATM attacks at period 2 were favourable, with 0 incidents compared to 7 last year. ATM gas attacks in general, both POL and Industry, remain fairly persistent (with the exception of the current dip during Covid-19), our gas suppression kits foil the majority of our attacks. Physical ATM attacks have recently increased as a proportion of ATM attacks, partially related to Covid-19 and heavier police sentences for gas attacks.
7. Cash destruction pilots are still proceeding with an ink and glue solution, although progress has slowed a little, due to Covid-19.
8. Due to Covid-19, Supply Chain activities have been curtailed, however, to maintain risk reduction focus, the Security team continue to work with Supply Chain on risk reduction initiatives. General trend of CViT crime is relatively low industry wide due to Covid-19. There were 2 attempted robberies involving Sheffield and Birmingham crew in June, with one incurring cuts and bruises from a blunt instrument but no resulting absence.
9. We have seen some increase in Covid-19 related abuse, believed to be due to restricted opening hours and some Postmasters arbitrarily deciding what products are "essential". H&S and Security are progressing an action plan: further upgrades in DMB training; more accessible advice for Postmasters; a greater sense of support, interaction and 'in it together'. Where support has been provided, we have seen a positive outcome.
10. In P2 (May) there were 4 robberies (vs 10 in 19/20), 4 successful (6) and 3 involving weapons (6) with 1 injury (2). There were 0 CViT incidents (2) and 0 ATM unsuccessful attacks (7).
11. We continue to look to strengthen our Personal Protective Equipment and a new helmet has been trialled by our people and a choice made. Funding has been approved and orders are being placed. This new design has also been approved by other carriers / members of the BSIA and we are seeking a single buying solution to reduce unit costs. Following a successful pilot, a preferred design of stab vest has also been selected by Supply Chain crew and will be made available where supported by the robbery risk assessment but will remain optional given that the impact is not clear cut. However, there is conflicting evidence as to whether they reduce or increase violence and this needs to be carefully assessed. Certainly, where deployed, this needs to be balanced with a very clear enforcement of the message not to fight back: the evidence from G4S is that a lack of clarity here combined with more physical protection drives injuries up.



12. The number of accidents has reduced with 3 accidents at P3 YTD (down from 22 in 19/20), and 1 lost time accident of 1 day in Supply Chain due to a colleague catching his finger on the van door. Accidents/1000 employees is at 0.9 P3 YTD (5.5 P3 YTD 19/20). Safety Board explored reasons for this reduction and assurance was given that accidents are being reported accurately despite the impact of COVID-19. There is believed to be more focus and control implemented across DMBs and Supply Chain environment leading to a reduction of incidents. It was agreed to share the successful Supply Chain 'hearts and minds' initiatives with DMBs to help widen the positive safety culture that is developing.
13. The Post Office Lost Time Incident Frequency rate (LTIFR - accidents per 100,000hrs) is at 0.067 YTD P3, compared to 0.174 in 19/20 with Supply Chain LTIFR reducing to 0.283 YTD compared to an out turn of 0.466 for 19/20. Total lost days per 100,000hrs (LTR) is 0.1 at P3 compared to 4.1 at P3 in 19/20.
14. The HSE report was received in April 2020. A plan was created to address the findings and progress is in line with the plan. Post Office property is safe. All statutory inspections are being undertaken and remedials are on track. CBRE have recognised the criticality of the findings and openly admitted their failings and have re-resourced the Post Office Account accordingly and are delivering against the recovery plan. Post Office have also made some changes in personnel to address the findings. An action plan across 13 H&S recommendations is being progressed to completion and monitored by Safety Board.
15. POL legal instructed external advisers, Pinsent Masons, to review CBRE failures against contract and advise on an appropriate course of action and remedy. Evidence for a letter to substantiate a commercial claim has been collated. The highlights of this are:
 - a. CBRE failed to deliver services (Planned maintenance, compliance, missed inspections and completion of remedial work),
 - b. failed to control costs,
 - c. exposed us to risk through non-compliance
 - d. as well as some billing issues and reporting issues.
16. Other areas of note are: signage surveys are not quite complete due to Covid-19 travel restrictions in the Scottish Highlands. Servest are compliant on waste and COSH and there were no current issues raised. Fire Risk Assessments have been rescheduled and will be complete by end of August 2020.
17. Priorities and targets for 2020-21 include;
 - a. Focus resources to the Covid-19 response and work collaboratively to ensure risks are controlled and a return to work plan implemented, supported by the Alert Level Matrix, risk assessments and social distancing where appropriate.
 - b. Respond to the external HSE Property audit and complete all actions to address any improvement opportunities with evidence of compliance sufficiently audited.
 - c. Following a successful pilot of the new digital accident investigation and reporting tool in Supply Chain we will roll out to DMBs and the wider business as soon as possible.
 - d. The Supply Chain Safety Plan is progressing well with safety champions sharing best practice and improvement opportunities at safety forums. We will extend the successful Supply Chain Hearts and Minds Safety campaign as best practice across the business.



- e. Robbery Risk Assessment will be reviewed quarterly rather than annually to inform decisions regarding mitigation, including iBox technology and Body Armour Stab Vests.
- f. Local risk assessments, safe systems of work and training continue to be reviewed and strengthened. Induction H&S checklists to be reviewed and updated.
- g. Organise a third party audit for another key area of risk, as directed by Safety Board.
- h. An Occupational Health MSK expert has reviewed coin and manual handling activity in Supply Chain to identify initiatives to reduce risks facing the ageing workforce eg equipment, training, process improvement. Content has been provided.
- i. Continue analysing Supply Chain 'commercial driver' telemetry data and driving behaviour and improvement through 121 discussions and coaching. New modular training for business drivers is being trialled, inc guidance to mitigate risk from fatigue.
- j. Continue developing our team of Mental Health First Aiders and raise awareness of the webinars for all colleagues and managers to provide guidance on coping with anxiety.
- k. Organise and run the flu vaccination programme across the business in Q3.

Financial Impact

- 18. The financial impact of the above 20/21 initiatives has been evaluated / budgets confirmed.

Risk Assessment, Mitigations & Legal Implications

- 19. Our highest risks include violence and abuse aimed at Postmasters and Supply Chain crew. The Security team will continue to strengthen and invest in mitigation. Risks being mitigated include Coronavirus (Covid-19) and the current performance of our principle FM contractor CBRE. An action plan is being progressed. All statutory inspections are being undertaken and remedials are on track. There are two emerging risks, the safety of our CViT depot in Portsmouth following a lack of action taken by the Landlord to maintain and respond to electrical, fire and security concerns. Property, H&S and Legal are working closely, have written to the Landlord under the terms of the lease instructing that our Contractors will be attending site to undertake surveys and tests and will carry out remedial work to ensure the safety of our people. We continue to work closely with our appointed forensic fire investigator and the AEI machine manufacturer Thales to understand the risk to the whole AEI Network following a fire involving the Port Glasgow AEI. Progress is being made, albeit slowly and we await the findings from ongoing investigations and a site visit on 24th July to analyse the machine remains.

9.1

Stakeholder Implications

- 20. Training should be provided to new Directors and consideration given to training for subsidiary directors, management and colleagues.
- 21. Information – directors should consider the Health & Safety information that flows to the Board to support directors, subsidiary directors and management teams carrying out their duties.

Next Steps & Timeline

Safety Board is held 6 weekly with the next meeting scheduled on 23rd July. PO Board and GE reports will include updates, recommendations and decisions made by Safety Board.



Appendix A

Health & Safety 5 year Performance

Year/KPI	17/18	18/19	19/20	19/20	20/21
			P12 YTD	P3 YTD	P3 YTD
All accidents	112	81	70	22	3
All accidents / 1000 employees	22.0	16.9	18.6	5.5	0.9
DMB		16.7	21.0	5.2	0.8
Support		3.4	7.5	2.1	0.0
Supply Chain		42.0	33.8	8.2	2.5
Lost Time related accidents	21	15	10	3	1
Lost Time related accidents / 1000 employees	4.1	3.1	2.6	0.74	0.29
LTIFR (lost time accidents/100,000hrs)	0.271	0.184	0.150	0.174	0.067
Days lost due to accidents	480	245	214	71	1
Days lost / 1000 employees	94	51	57	18	0.3
LTR (Accident days lost/100,000 hrs)		3.0	3.2	4.1	0.1
Days lost due to robbery (assault and trauma)	4	280	105	15	0
LTR (Total days lost/100,000hrs inc. trauma)		6.4	4.8	5.0	0.1
RIDDORS	14	7	2	0	0

9.1

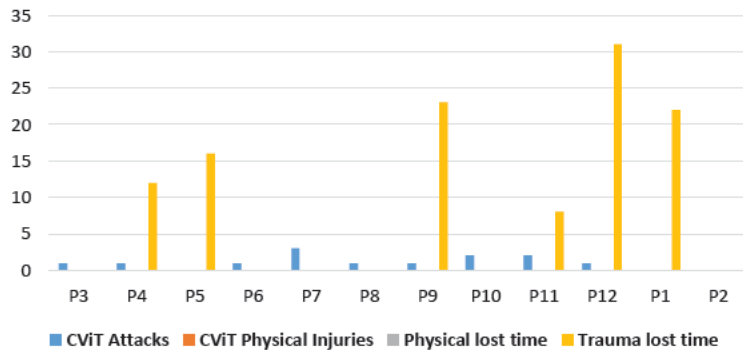
Appendix B

POST
OFFICE

P2 Security Safety Dashboard

Health & Safety Performance – Period 2 (May) 2020/21

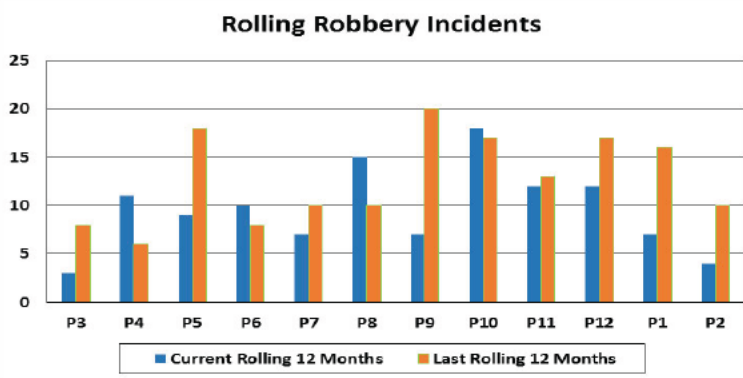
CViT Attack Profile – period 2 (19/20)



CViT Commentary

- **P2** - 0 CViT incident compared to 2 last year, 0 successful (1 last year) with loss of £0k (£17k last year).
- **YTD** - 0 CViT incidents YTD (compares to 3 last year), with losses of £0k vs £42k last year

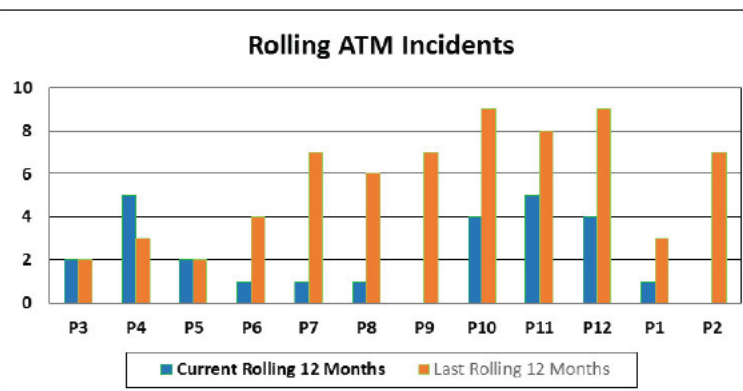
Robbery Profile – P2 (2020/21)



Robbery Commentary

- **P2** - 4 robberies in P2 compared to 10 last year, 4 successful (6 last yr) with losses of £214k (£26k last yr)
- **YTD** - 11 robberies YTD (compares to 26 last year), with losses of £235k vs £63k last year.

ATM Profile – P2 (2019/20)



ATM Commentary

- **P2** - 0 ATM attacks compared to 7 last year, 0 successful (2 last year) with losses of £0 (£10k last year)
- **YTD** - 1 ATM attacks YTD (compares to 10 last year), with losses of £0k vs £71k last year.

9.1

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POST OFFICE LIMITED BOARD REPORT

9.2

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9.2

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9.2

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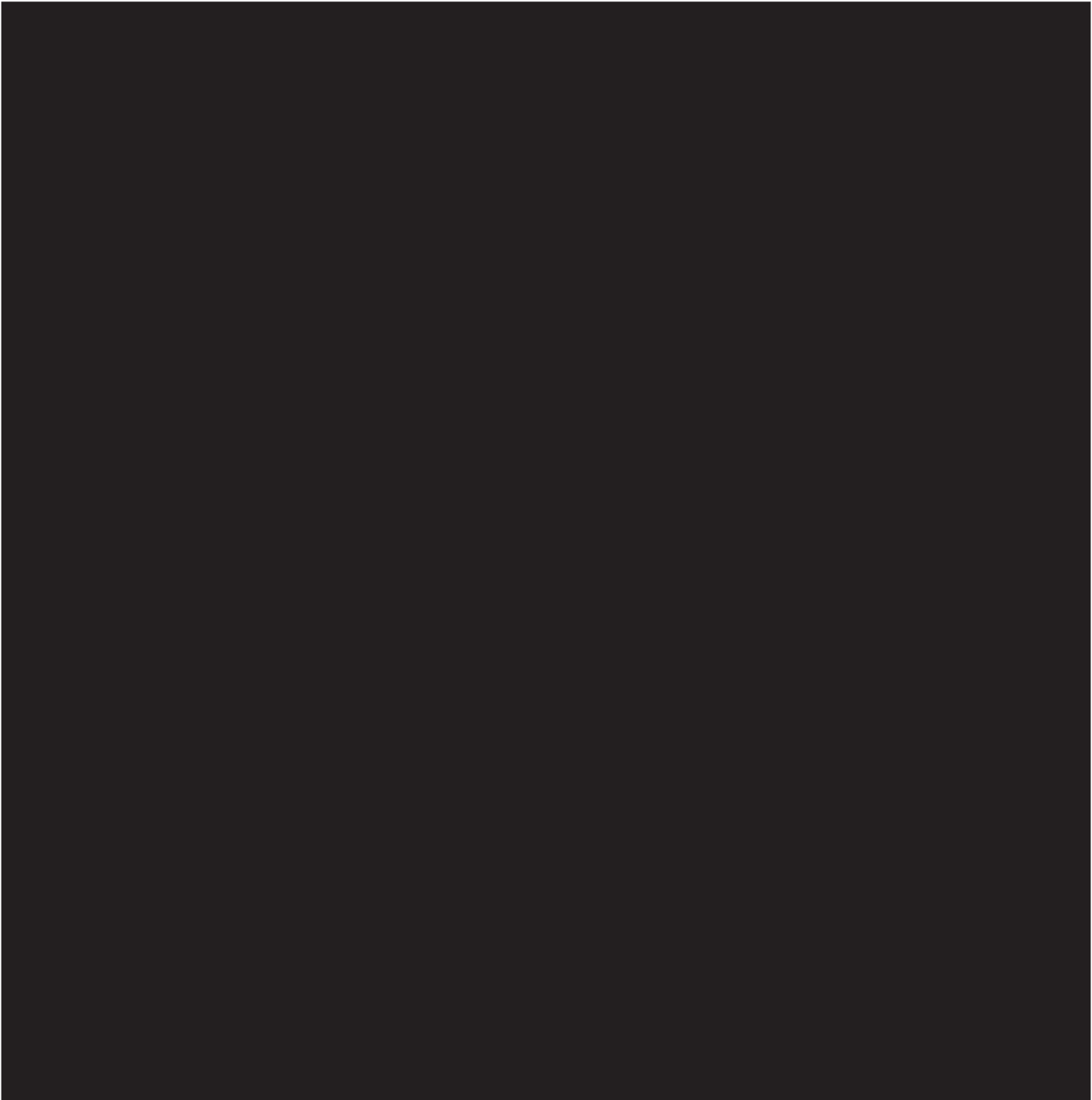
9.2

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9.2

Legally Privileged and Strictly Confidential



9.2

Legally Privileged and Strictly Confidential



POST OFFICE LIMITED BOARD REPORT

Title:	Sealings Report	Meeting Date:	28 th July 2020
Author:	[REDACTED]	Sponsor:	[REDACTED]

Input Sought: Approval

The Directors are invited to consider the Register of Sealings and to approve the affixing of the Common Seal of the Company to the documents set out against items number 1955 to 1977 inclusive in the Register of Sealings.

Executive Summary

For the Directors to resolve that the affixing of the Common Seal of the Company to the documents set out against items numbered 1955 to 1977 inclusive in the Sealings Register is hereby confirmed.



Date Created
16/07/2020

Post Office Limited
Register of Sealings

Company Number
2154540

Seal Number / File Ref.	Date of Sealing	Date of Authority	Description of Document	Persons Attesting To Document	Destination of Document
1970 / Lease	22/05/2020	21/05/2020	Counterpart Lease of Third and Part Fourth Floor, Bark Street, Bolton between Gordon Moon Properties Limited(Landlord) and Post Office Limited (Tenant).	Nick Read (Director) [REDACTED] [REDACTED]	[REDACTED]
1955 / Deed of Surrender	05/06/2020	05/06/2020	Deed of Surrender and Release in respect of Units 3 and 4 and Part of Unit 2, 112-124 Camden High Street, London, NW1 between Jemorland Limited and Post Office Limited. Executed under signature due to Covid-19 circumstances.	[REDACTED] [REDACTED], Alisdair Cameron, Director	[REDACTED]
1956 / Licence to Underlet	09/06/2020	05/06/2020	Licence to underlet, carry out alterations and deed of variation in relation to premises let by the Lease known as Ground Floor, Colombo House, 52 Blackfriars Road, London, SE1 8PH between Autumnwindow Limited (registered number 04109614, Landlord), Post Office Limited (registered number 02154540, Tenant), ZCO Limited (registered number 09033841, Undertenant), and [REDACTED] and [REDACTED]. Executed under signature due to Covid-19 circumstances.	[REDACTED] [REDACTED] Alisdair Cameron, Director	[REDACTED]
1958 / Dilapidations Settlement	15/06/2020	10/06/2020	Dilapidations Settlement related to the Post Office Unit situated on the Ground Floor and Basement Floor, 22-24 South Street, Romford, Essex RM1 1RA, between Post Office Limited (Tenant) and Brosh Limited (Landlord). Executed under signature due to Covid-19 circumstances. Settlement sum is [REDACTED] inclusive of all the Landlord's surveyors' costs and legal costs incurred in connection with the Schedule and the Claim.	[REDACTED] [REDACTED]	[REDACTED]
1959 / Agreement for Sale	17/06/2020	10/06/2020	Agreement for sale relating to freehold property known as The Post Office, 11 Cambridge Road, Harrogate HG1 1AA conditional on the grant of planning consent between Post Office Limited (Seller) and One Acre Property Group Ltd (Buyer). Property title no. NYK326638. Executed under signature due to Covid-19 circumstances.	[REDACTED] [REDACTED] Alistair Cameron, Director	[REDACTED]
1960 / TR1	17/06/2020	10/06/2020	TR1 regarding Agreement for sale relating to freehold property known as The Post Office, 11 Cambridge Road, Harrogate HG1 1AA conditional on the grant of planning consent between Post Office Limited (Seller) and One Acre Property Group Ltd (Buyer). Property title no. NYK326638. Executed under signature due to Covid-19 circumstances.	[REDACTED] [REDACTED], Alistair Cameron, Director	[REDACTED]
1961 / Capital Allowances Election	17/06/2020	10/06/2020	Capital Allowances Election regarding the Agreement for sale relating to freehold property known as The Post Office, 11 Cambridge Road, Harrogate HG1 1AA conditional on the grant of planning consent between Post Office Limited (Seller) and One Acre Property Group Ltd (Buyer). Property title no. NYK326638. Executed under signature due to Covid-19 circumstances.	[REDACTED] [REDACTED] Alisdair Cameron, Director	[REDACTED]

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Seal Number / File Ref.	Date of Sealing	Date of Authority	Description of Document	Persons Attesting To Document	Destination of Document
1962 / Letter of non-crystallisation	17/06/2020	10/06/2020	Letter of non-crystallisation regarding the Agreement for sale relating to freehold property known as The Post Office, 11 Cambridge Road, Harrogate HG1 1AA conditional on the grant of planning consent between Post Office Limited (Seller) and One Acre Property Group Ltd (Buyer). Property title no. NYK326638. Executed under signature due to Covid-19 circumstances.	[REDACTED] [REDACTED]	[REDACTED]
1963 / Relocation Deed	18/06/2020	15/06/2020	Ham Green Relocation Deed between Post Office Limited and [REDACTED] Post Office, Park Stores, 7-8 Ham Green, Ham Drive, Plymouth PL2 2NH (Operator). Deed prepared by Womble Bond Dickinson (UK) LLP. Approved by network team, [REDACTED] on 15 June 2020.	[REDACTED] [REDACTED] [REDACTED]	Network Team c/o Steve Utting
1964 / Deed of Variation	02/07/2020	02/07/2020	Deed of Variation relating to Poplar Post Office, 22 Market Square, London E14 6AB Post Office Limited (Landlord) and [REDACTED] [REDACTED] executed under electronic signature due to Covid.	[REDACTED] and Al Cameron (Director)	[REDACTED]
1965 / Agreement for Sale	02/07/2020	23/06/2020	Agreement for Sale of Long Leasehold Land with vacant possession relating to The Post Office, London Road, Swanley, BR8 7AA between Post Office Limited and [REDACTED] [REDACTED] and [REDACTED] as the charity trustees of Christ Family Assembly Outreach. Executed under signatures due to Covid.	[REDACTED] and Alisdair Cameron (Director)	[REDACTED]
1966 / Transfer of whole reg title	02/07/2020	23/06/2020	TR1 in respect of Long Leasehold Land with vacant possession relating to The Post Office, London Road, Swanley, BR8 7AA between Post Office Limited (transferor) and [REDACTED] [REDACTED] and [REDACTED] as the charity trustees of Christ Family Assembly Outreach (transferee). Executed under signatures due to Covid.	[REDACTED] and Alisdair Cameron (Director)	[REDACTED]
1967 / Licence to Assign	02/07/2020	23/06/2020	Licence to assign between the Post Office Limited (Landlord) and [REDACTED] [REDACTED] and [REDACTED] in respect of the Post Office forming part of the premises known as Otley Post Office, 21 Nelson Street, Otley LS21 1ST. Executed under digital signature due to Covid.	[REDACTED] and Alisdair Cameron (Director)	[REDACTED]
1968 / Rent deposit deed	02/07/2020	23/06/2020	Rent deposit deed between Post Office Limited (Landlord) and [REDACTED] in respect of the Post Office forming part of the premises known as Otley Post Office, 21 Nelson Street, Otley LS21 1ST. Executed under digital signature due to Covid.	[REDACTED] and Alisdair Cameron, Director	[REDACTED]
1969 / Transfer of registered title	02/07/2020	29/06/2020	Freehold Transfer - Famworth Post Office, 52a Brackley Street, Famworth, Bolton, BL4 9EG. Transfer of Whole Registered Title between Post Office Limited (Transferor) and [REDACTED] and [REDACTED] (Transferees). Executed under signatures due to Covid.	[REDACTED] Alisdair Cameron, Director	[REDACTED]
1971 / Deed of Variation	07/07/2020	03/07/2020	Deed of Variation in relation to 751 High Road, North Finchley, London N12 8LF between Post Office Limited (Seller) and Newview Properties Limited (Buyer). Executed under signatures due to Covid.	[REDACTED] Alisdair Cameron, Director	[REDACTED]

Seal Number / File Ref.	Date of Sealing	Date of Authority	Description of Document	Persons Attesting To Document	Destination of Document
1957 / Deed of Release	14/07/2020	08/06/2020	Deed of release of Deed of Variation and Covenant relating to Penny Lane Post Office, 360 Smithdown Road, Liverpool between Post Office Limited (Covenantor) and [REDACTED] and [REDACTED]. Executed under signature due to Covid-19 circumstances.	Nick Read, Director, Alisdair Cameron, Director	[REDACTED]
1972 / Reversionary Lease	14/07/2020	10/07/2020	Reversionary Lease of the Post Office forming part of the premises known as Otley Post Office, 21 Nelson Street, Otley LS21 1ST between Post Office Limited (Landlord) and [REDACTED]. Executed under the Company Seal.	[REDACTED] [REDACTED]	[REDACTED]
1973 / Deed of variation	14/07/2020	10/07/2020	Deed of Variation relating to the lease of the Post Office forming part of the premises known as Otley Post Office, 21 Nelson Street, Otley LS21 1ST between Post Office Limited (Landlord) and [REDACTED]. Executed under the Company Seal.	[REDACTED] [REDACTED]	[REDACTED]
1974 / Deed of Variation	14/07/2020	14/07/2020	Deed of variation relating to various properties forming part of a portfolio between Post Office Limited (Landlord) and ZCO Limited (Tenant) and Potent Solutions Limited (Guarantor 1) and Money Advisor Limited (Guarantor 2).	[REDACTED] [REDACTED]	[REDACTED]
1975 / Deed of Variation	14/07/2020	14/07/2020	Deed of variation relating to 12 - 14 London Road, St Leonards-On-Sea TN37 6AA between Post Office Limited (Landlord) and Potent Solutions Limited (Tenant).	[REDACTED] [REDACTED]	[REDACTED]
1976 / Settlement Agreement	14/07/2020	10/07/2020	Dilapidations Settlement - Post Office forming part of the premises known as Upper Holloway CO, 14 Junction Rd, London N19 5TA between New Archway Propco Limited (Landlord) and Post Office Limited (Tenant).	[REDACTED] [REDACTED]	[REDACTED]
1977 / Lease Renewal	14/07/2020	10/07/2020	Lease renewal between Islington Holdings LLP (Company No. OC329230) (Landlord) and Post Office Limited (Tenant) - Underlease of Demised Premises known as 238-242 Essex Rd, London, N1 in the London Borough of Islington commencing on 13 January 2019 for ten years, expiring on 12 January 2029. Executed under electronic signature due to Covid-19.	Nick Read and Alisdair Cameron (Directors)	[REDACTED]

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POST OFFICE LIMITED BOARD REPORT

Title:	Future Meeting Dates	Meeting Date:	28 th July 2020
Author:	[REDACTED]	Sponsor:	[REDACTED]

Input Sought: Noting

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

2020

Date			Time	Meeting
Thursday	23 July	2020	15.00 – 16.30	Weekly CCRC Board Call*
Monday	27 July	2020	14.30 – 17.00	ARC
Tuesday	28 July	2020	10.00 – 15.00	Board
Tuesday	28 July	2020	15.15 – 17.30	Board Strategy Away Day – 1
Wednesday	29 July	2020	10.00 – 16.30	Board Strategy Away Day – 2
Thursday	30 July	2020	15.00 – 16.30	Weekly CCRC Board Call
Thursday	06 August	2020	15.00 – 16.30	Weekly CCRC Board Call
Thursday	13 August	2020	15.00 – 16.30	Weekly CCRC Board Call
Thursday	20 August	2020	15.00 – 16.30	Weekly CCRC Board Call
Thursday	27 August	2020	15.00 – 16.30	Weekly CCRC Board Call
Thursday	03 September	2020	15.00 – 16.30	Weekly CCRC Board Call
Thursday	10 September	2020	15.00 – 16.30	Weekly CCRC Board Call
Thursday	17 September	2020	15.00 – 16.30	Weekly CCRC Board Call
Tuesday	22 September	2020	09.00 – 11.30	ARC
Tuesday	22 September	2020	11.30 – 12.00	Nominations Committee
Tuesday	22 September	2020	12.00 – 13.00	Remuneration Committee
Tuesday	22 September	2020	13.30 – 18.30	Board
Thursday	24 September	2020	15.00 – 16.30	Weekly CCRC Board Call
Thursday	01 October	2020	15.00 – 16.30	Weekly CCRC Board Call
Thursday	08 October	2020	15.00 – 16.30	Weekly CCRC Board Call
Thursday	15 October	2020	15.00 – 16.30	Weekly CCRC Board Call

*As agreed at the CCRC Meeting on 02 April 2020, this Board call is being set up as a reoccurring meeting every Thursday at 15.00hrs.

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Thursday	22 October	2020	15.00 – 16.30	Weekly CCRC Board Call
Tuesday	27 October	2020	09.30 – 14.00	Board
Thursday	29 October	2020	15.00 – 16.30	Weekly CCRC Board Call
Thursday	05 November	2020	15.00 – 16.30	Weekly CCRC Board Call
Thursday	12 November	2020	15.00 – 16.30	Weekly CCRC Board Call
Thursday	19 November	2020	15.00 – 16.30	Weekly CCRC Board Call
Tuesday	24 November	2020	09.00 – 11.30	ARC
Tuesday	24 November	2020	11.30 – 12.00	Nominations Committee
Tuesday	24 November	2020	12.00 – 13.00	Remuneration Committee
Tuesday	24 November	2020	13.30 – 17.30	Board
Thursday	26 November	2020	15.00 – 16.30	Weekly CCRC Board Call
Thursday	03 December	2020	15.00 – 16.30	Weekly CCRC Board Call
Thursday	10 December	2020	15.00 – 16.30	Weekly CCRC Board Call
Thursday	17 December	2020	15.00 – 16.30	Weekly CCRC Board Call

2021

Date			Time	Meeting
Tuesday	26 January	2021	09.00 – 11.30	ARC
Tuesday	26 January	2021	11.45 – 17.00	Board
Tuesday	09 February	2021	10.00 – 11.00	Nominations Committee
Tuesday	09 February	2021	11.00 – 12.00	Remuneration Committee
Tuesday	30 March	2021	09.00 – 11.30	ARC
Tuesday	30 March	2021	11.45 – 17.00	Board
Tuesday	18 May	2021	09.30 – 12.00	ARC
Tuesday	01 June	2021	09.30 – 15.00	Board
Tuesday	01 June	2021	15.00 – 16.00	Nominations Committee
Tuesday	01 June	2021	16.00 – 17.00	Remuneration Committee
Monday	26 July	2021	09.00 – 11.30	ARC
Tuesday	27 July	2021	09.00 – 13.00	Board
Tuesday	27 July	2021	13.30 – 18.00	Board Strategy Away Day – 1
Wednesday	28 July	2021	08.30 – 16.30	Board Strategy Away Day – 2
Tuesday	28 September	2021	09.00 – 11.30	ARC
Tuesday	28 September	2021	11.45 – 16.15	Board
Tuesday	28 September	2021	16.15 – 16.45	Nominations Committee



Tuesday	28 September	2021	16.45 – 17.30	Remuneration Committee
Tuesday	26 October	2021	09.00 – 14.00	Board
Tuesday	30 November	2021	09.00 – 11.30	ARC
Tuesday	30 November	2021	11.45 – 16.15	Board
Tuesday	30 November	2021	16.15 – 16.45	Nominations Committee
Tuesday	30 November	2021	16.45 – 17.30	Remuneration Committee

2022

Date			Time	Meeting
Monday	24 January	2022	15.00 – 17.30	ARC
Tuesday	25 January	2022	12.30 – 17.00	Board
Tuesday	15 February	2022	10.00 – 11.00	Nominations Committee
Tuesday	15 February	2022	11.00 – 12.00	Remuneration Committee
Tuesday	29 March	2022	09.00 – 11.30	ARC
Tuesday	29 March	2022	11.45 – 17.00	Board

Board Meeting Table 2020		
28 January 2020	10 March 2020 (Additional meeting)	26 May 2020
<ul style="list-style-type: none"> CEO Report Financial Performance Report, including Retail & FST&I performance insights 2020/21 Budget (Draft) Quarterly Change Report for UKGI (For Board to approve to submit to Shareholder) Five Year Plan and Government funding document (Draft) PSG Articles of Association and Framework Document Approvals/ noting papers for Board: Royal Mail MDA term and exit; Payzone Capital Injection; Global Payments contract extension Health & Safety Report Starling 	<ul style="list-style-type: none"> 2020/21 Budget Four Year Plan and Government funding document (2nd draft for Board) <p>8 April 2020 (Changed from 24 March 2020)</p> <ul style="list-style-type: none"> Appointment of Lisa Harrington, Non-Executive Director to Board CEO Report Financial Performance Report Covid-19 Response and keeping the network open Royal Mail Group Agreement ATM Strategy Post GLO Implementation (regular update) Stamps Reconciliation Procurement Compliance and Escalation Policy <u>Approvals</u>: Royal Mail Pouch Collection Services Contract / Global Payments / Telecoms Project <u>Ratifications</u>: Verify Contract / Thales Contract / Delay of launch of Historical Claims Shortfall Scheme Governance report to Board (Annual – including implementation plan for new Articles and Framework Document) Board and Committee Evaluation Report Health and Safety Report 	<ul style="list-style-type: none"> CEO Report Financial Performance Report, including business performance insights Covid-19 response ARA 2019/20 (first draft for ARC/ Board) Post GLO Implementation (regular update) Telco Strategy & Vision Update Health and Safety Report <u>Approvals</u>: PCI-DSS Compliance Business Case, Procurement Exceptions Briefing session: Cloud migration, [REDACTED]
30 June 2020 (Additional meeting)	28 July 2020 (Strategy sessions 28 & 29 July)	22 September 2020
<ul style="list-style-type: none"> CEO Update Financial Performance Report Strategy work: <ul style="list-style-type: none"> Purpose Network Policy Framework Postmaster Engagement/ Representation FJ contract options/ SPM Cash market Noting papers: DMB Closures; Post GLO Implementation Plan (legal and overarching operations programme); Post Office Insurance Options; Health and Safety Report 	<ul style="list-style-type: none"> CEO Report Financial Performance Four Year Plan and Funding request RMG MDA 2 Health and Safety Report GLO separation Post GLO Implementation (regular update) <p>Strategy sessions</p> <ul style="list-style-type: none"> Network Strategy SPM/FJ contract exit Branch Hub (demonstration and funding approval) Cash and Banking Digital Identity Mails including PUDO Strategy 	<ul style="list-style-type: none"> CEO Report Financial Performance report SGEI Compliance and Network Report Strategy work: <ul style="list-style-type: none"> New Postmaster contracts Cost effective formats Mails automation Crisis Management and Basic Processes¹ Effectiveness of change spend² Succession Planning Post GLO Implementation (regular update) Health & Safety Report (including violence and robberies report) Approvals: Law Enforcement Policy
27 October 2020	24 November 2020	
<ul style="list-style-type: none"> CEO Report Financial Performance Report, including business performance insights Post GLO Implementation (regular update) Product quality³ Health and Safety Report Briefing session: TFL transformation, Vernon Everitt, MD – Customers, Communications and Technology at TFL 	<ul style="list-style-type: none"> CEO Report Financial Performance Report Post GLO Implementation (regular update) Health and Safety Report 	

Key: Yellow = Pending item (where the item is needed but the date has to be confirmed)

¹ Item proposed by Tom Cooper and Tim Parker.

² Item proposed by Tom Cooper and Tim Parker.

³ Item proposed by Tom Cooper and Tim Parker.