

POST OFFICE LTD BOARD

Board Effectiveness Review

The Chairman's Board evaluation report is attached as appendix 1. The areas proposed for discussion at the Board and for action are covered in section 13.

Alice Perkins
July 2013

Board Effectiveness Review

1. Process

The Chairman interviewed all the Board Directors and the Company Secretary on a one-to-one basis using the Discussion Guidelines, attached at Annex 2, between 20 June and 3 July. A list of interviewees is at Annex 3. The Chief Executive had consulted her ExCo colleagues and included their views in her feedback.

This report summarises all the points made. There were many common themes and where the same points were made more than once, they have not been repeated. All the suggestions made for improving how the Board works are included and brought together in section 13.

The process included peer feedback for all members of the Board which the Chairman will communicate separately on an individual basis. Concurrently, the SID has conducted a peer review of the Chairman's performance which is being fed back separately to her.

The Board will discuss this report at its July meeting and it will then be sent to the Shareholder Executive.

2. Context

Alice Perkins took over the Chairmanship of the Post Office Board from Donald Brydon in October 2011. At that time the CEO, CFO, SID and Company Secretary were all in their present roles. The other NEDs joined the Board over the period from [March] to September 2012. So at the time of carrying out this evaluation, the Board has been in existence for less than a year. It is early days in its life.

3. Headline Comments

The creation of a new PO Board has gone remarkably well in a very difficult context and challenging environment. The Board is maturing. It has come a long way since autumn 2011 and is operating very well (8 out of 10). We can be pleased with where it has got to and the Shareholder should be pretty pleased. The issue now is how to make it even better.

This is a well-functioning Board. The Directors have a wide range of skills and experience from different backgrounds. We have the key bases covered. We are working together effectively; it's fun and really challenging.

This is a disparate set of Directors who have come together and are pointing in the same direction most of the time; there is a sense of team work. We do listen to each other and can agree to disagree or agree on what we are prepared to live with. It can feel uneven as between the respective contributions of the Executives and the NEDs.

The Board has got better as it has matured. People have become feistier; they are challenging but very respectful of each other and of the business. Board members come well prepared; they are good at listening. They don't always agree and sometimes issues get reopened when people thought they had been settled. The debate can be circular and hard to close down but it is helpful if people speak up if they disagree.

The Board is quite different from a year ago. It is stimulating, vibrant, pro-active and searching for solutions in its determination to fix the business. It is extremely positive and helping the Executives to improve. It adds value.

The Board provides a good balance between support and challenge – it is giving clear direction and has a clear mandate and has stopped diving into the detail. It feels like a team which is great. ExCo feels very positive about it – should they and the Board meet a couple of times a year?

The Board has been the most amazing improvement for the PO. The recruitment of the NEDs has gone really well – they have very different skills and have the ability to contemplate working in a different environment from what they are used to. The company has adjusted well to the new Board. Thank goodness we went in that direction.

4. Organisation of the Board

Overall, this is very good. The Company Secretary, supported by [REDACTED], provides excellent support to the Board including looking after the hygiene factors, really well. The electronic papers are great and one Director commented positively on the Reading Room while another wondered whether it is as useful as it could be?

The meetings are held at the right frequency, for the right length of time and they run to time. The quality of the papers has improved but there is further to go – some should be crisper and they should always arrive in time for Board members to digest them properly before meetings unless there is an emergency to report.

A common theme was that the Board could use its time even better. There is still a tendency for Executives to repeat what is in the papers. The Board could get better at taking papers as read if there are no issues to discuss. For instance, while retaining a paper on financial performance and key indicators at each Board meeting, should the Board discuss this at alternate meetings and without any introduction from the CFO unless it is to add something new? This would release time which could be spent on the substance of the business such as mails and financial services.

Several people commented on the nature of the debate. The Board does not need to be led by the Executives to a conclusion - this is not a good use of the Directors' expertise. It is getting better at having a robust debate. One person commented that it is a very respectful Board and another Director suggested that it should become more hard-edged and willing to call a spade.

The Board is not a talking shop. It takes decisions all the time but the Chairman could be even clearer about when decisions have been made and they could be recorded in a decision log at the end of the minutes. This should flush out outstanding differences and the Board would be able to decide explicitly how to handle these rather than finding that the issues were being unexpectedly re-opened by one member of the Board to the surprise of the others.

Should the Board make more use of the NEDs in creative ways so that they are generating ideas rather than reviewing ideas which have come up from the Executives? (e.g. the session on Outsourcing at the recent Awayday.)

The recent Awayday had been good (though the session on Mails had been a wasted opportunity). How many of these should there be in a year (in the last year there have been two – Shoreditch and Kingston)?

Should the Board meet outside Head Office more often e.g. at a large Crown or a call centre?

Annex 1

Should the Board meet the ExCo on a regular (but infrequent) basis? And what about the SLT?

Should the Board have a dinner with partners?

One Director asked that dates for future Board meetings in 2014 and even 2015 should be fixed now.

It was also suggested that the Board should have a regular opportunity to review the forward programme of agendas as it has in the past.

There is sometimes an absence of follow-through (e.g. the delay in circulating the updated Rothschild's work). While this has got better, there is further to go.

5. Committee Organisation

The right Committees are in place. The Board has only just set these up so their roles should be clear and they are.

The Committees have been feeling their way on the frequency and timing of their meetings. There is a need to find a schedule which works and is more settled. This is especially true of the ARC and the RemCom.

The RemCom is the Committee with the most difficult business in practice and it has not always felt as though it is in control of it. This should improve with experience of the interaction with the Shareholder, better forward planning and better professional support from the business.

The ARC initially felt too much like the main Board but that is better now that membership has been reduced to three NEDs. It is discharging its responsibilities properly and has handled the two year-ends extremely well. One Director commented that it might be trying to do too much and might need to be more flexible in its use of time. There is important and urgent work for it to do on risk, which is in hand for the autumn. Several Directors commented that that it was the next major priority after settling the strategy.

The Mutualisation Committee has been less effective than the Board although it has the same membership. It should review its future programme in the light of the strategy.

6. Strategy

The Board has spent a great deal of time on the Strategy since it has been fully formed and this has been helpful in terms of its understanding of the business and its development as a team.

The Directors all think the Strategy has been well developed and are happy with the substance of what they have agreed. At the time of writing, this is subject to negotiations with the Shareholder.

However, the process got off to a shaky start at Shoreditch. Lessons were learned from that and by the end the NEDs all felt satisfied that they had been able to make the contribution they wanted to make. There was universal recognition that [REDACTED] role in this had been invaluable.

One Director commented that there was further to go in articulating the vision of what the Post Office would be in 2020.

7. Board Composition

There is universal agreement that the Board has a great mixture of skills and experience. Almost all the key aspects of the business are covered and several people commented that whatever came up as an issue, there would be at least one member of the Board who had the relevant experience to make a valuable contribution to its resolution. The areas where additional expertise would be valuable were large-scale operations including change management, industrial relations and IT.

Some people also commented on the mix of Directors in terms of their styles and temperaments. There is a good balance between the entrepreneurial and the risk conscious and between those whose glasses are half full and those whose are half empty. It would be important in future to ensure that any changes in the Board did not result in the balance being skewed too far one way or the other.

The Board is well balanced in terms of gender. In future it would be good if there were also a greater diversity of ethnicity.

8. Board Involvement

The Directors' knowledge of the business was generally thought to be sufficient for their roles, though individual Directors raised areas which they it would be helpful for them to understand better e.g. the economics of the network including SPMs' pay.

There had been a tendency in the early days for NEDs to appear to "meddle" in the business and dive down too much into the detail but this had diminished over time. This needs watching as it is always tempting for NEDs to fall into that trap on any Board.

All the NEDs commented on how willing the Executives were to engage with them outside Board meetings and were impressed by the extent to which most of them, and especially the CEO, were open to challenge. In return, the Executives commented that the NEDs were very generous with their time outside the Boardroom.

The relationship between the Chairman and the CEO appeared good, supportive but also challenging with no obvious tensions.

One NED wondered whether they should become more involved by e.g. opening new PO branches and/or developing relationships with key stakeholders (see next section). The CEO wondered whether they could contribute to interviewing key candidates for ExCo positions.

9. Board Relationships with Key Stakeholders

There is general recognition that there is more to do here. The Board needs to understand its shareholder's position better, especially that of the Minister concerned. The session with ██████████ had been extremely useful ("formative"/"an eye-opener") in that context. It was excellent that he had agreed to come again in the autumn and there should be more sessions to help the Board understand this area.

It is also recognised that more time should be spent forging relationships with other key stakeholders inside and outside the business. The Forum at the recent Awayday had been a good use of time.

10. Risk, Compliance, Financial Monitoring.

The Directors believe that they are carrying out their fiduciary duties appropriately overall. Several people commented on the need to do more work on risk management as noted above. More than one NED commented that the financial and performance report could be improved further. Is there sufficiently robust reporting of the delivery of key projects, including cost-cutting – is there a danger of the Board being lulled into a false sense of security over these?

There is also a need to satisfy the Board that the right compliance measures are in place in financial services as the company expands its business in this area. This is something for the ARC in the first instance; there is a need to spend more time on this.

11. Looking Forward

Directors are concerned about the quality of the pipeline for the top posts, especially for the CEO's position. This is something which has already been identified and work is underway under the direction of the NomCo to address it. Progress is being made in relation to the ExCo positions and job specifications for new recruits to the ExCo are targeted at candidates with the potential to be future CEOs. This is a real weakness which NomCo and the Board need to keep actively under review.

The induction of the NEDs had been done well and everyone was satisfied with this. The Board needed to decide now what additional development was needed, for example, visits to branches (should each NED commit to visit a certain number every year?) or workshops/Board sessions on particular issues?

It will be important to manage the tenure of the NEDs so that there is no bunching of retirements.

12. Overall Board Effectiveness

The Directors thought that the Board got the balance right between fulfilling its fiduciary duties and making a positive, substantive contribution to the business. Looking back over the last year, one Director commented that the Board's agenda had felt as though it had lurched in an unplanned way but that once the Strategy was settled, it should be possible to get more stability into the business and focus on key elements of its delivery.

The right balance has been struck between support and challenge. But the Board has now "formed". It has been "quite kind" to the business. It can now be more challenging and expect more; it needs to be more demanding e.g. about cost-cutting, and tougher with failure.

Generally the Directors were satisfied with the quality of the external advice received e.g. the auditors, and Rothschild's, but one Director commented that the business did not always seem to be clear about what it was using advisers for, or doing that well.

13. Areas for Discussion and Action

Discussion

What is the right balance amount of rigour and challenge? Does the Board agree that it should be more forthright than it is now? How would that affect the balance between the NEDs and the Executives?

Does the Board agree that time should be saved in meetings by moving more briskly through agenda items and discussing financial performance and key indicators only every other meeting (assuming things are on track?) If so, what would it like to spend more time on? Is giving more time to our key stakeholders, including understanding the Shareholder better, a key priority?

How could the NEDs be used more creatively?

What does the Board want to do outside Board meetings e.g. branch visits (an annual target for NEDs?), workshops, meetings with key stakeholders, or with ExCo/SLT?

Are two Awaydays a year right?

Would the Board like a dinner with partners?

Should the Board meet outside Head Office more frequently e.g. at large Crowns or call centres?

Is the Reading Room as useful as it could be?

Action

The Chairman to sum up discussions even more clearly. Board members to speak up if they disagree or register clearly that they are willing to support the majority view despite remaining reservations.

Executives to assume as a matter of course, that their papers have been read and not to repeat material already covered unless asked to do so. The Chairman to move more swiftly through each item unless there are questions or issues raised by the Board.

Company Secretary to fix Board dates for 2014 and if possible, 2015; to record decisions taken in a "log" at the end of the minutes of each meeting; to continue to work with the Executives to raise the standard of papers and ensure they are sent out in good time; to ensure all follow-up action is taken timeously and circulate a forward programme of Board agendas every 6 months.

All Committees to keep the cycle of their meetings under review and follow-up on the key issues identified in this report e.g. succession planning for NomCo and risk for ARC.

Alice Perkins
July 2013

POST OFFICE BOARD EVALUATION SUMMER 2013

DISCUSSION GUIDELINE

1. Overall impression of the Board

- Shared understanding of the Board's role
- Dynamics of the Board
- Culture and climate in the Boardroom
- Sense of teamwork
- Use of time
- Quality of discussion and listening
- Decision-making

2. Organisation of the Board

- Agenda
- Meeting frequency and length
- Formal processes and duties
- Informal processes
- Information and support materials
- Servicing of the Board

3. Committee organisation

- Clear remits
- Agendas
- Meeting frequency and length
- Membership, attendees and advisers
- Information and support materials

4. Strategy

- Development
- Understanding
- Agreement
- Communication
- Review

5. Peer reviews

Feedback on contribution of individual Board members

- Executive Directors
- Senior Independent Director/Committee Chairmen
- Other Non-Executives

DISCUSSION GUIDELINE

6. Board composition

- Balance of skills and experience, including diversity
- Future requirements

7. Board involvement

- Directors' knowledge
- Relationship Chairman and CEO
- Relationships with management
- Contact outside boardroom

8. Board relationship with key stakeholders

- Shareholder relations
- Employee/Franchisee relations
- Other key stakeholder relations

9. Risk, compliance, financial monitoring

- Identification
- Monitoring
- Openness
- Balance with performance
- Responsibility

10. Looking forward

- Succession planning for board members; non-executive and executive
- Directors' development needs
- Future remuneration for non-executives
- Induction and training

11. Overall Board effectiveness

- Fulfilment of fiduciary duties
- Contribution to business
- Checks, balances and support
- Short and long term health of business
- Support/independent advice

List of Interviewees

Neil McCausland	Senior Independent Director
Tim Franklin	Non-Executive Director
Virginia Holmes	Non-Executive Director
Alasdair Marnoch	Non-Executive Director
Susannah Storey	Non-Executive Director
Paula Vennells	Chief Executive Officer
Chris Day	Chief Financial Officer
Alwen Lyons	Company Secretary

Evaluation of the Effectiveness of the Post Office Board – March 2015

1. Process

Following the first full Board evaluation carried out in summer 2013, the current Board evaluation was carried out by the Chairman based on interviews with all Board Directors and the Company Secretary in January and February 2015. It takes account of feedback from some members of the ExCo.

The key findings are set out below. The Chairman is separately giving feedback to the individual Directors on a personal basis.

2. Context

Prior to the beginning of this evaluation, the Chairman had announced her intention to stand down at the end of July after 4 years in the role. The SID had also let it be known that he did not intend to extend his term beyond his 4 year term which would end in the autumn.

A new CFO had joined the Board in January.

Discussion about the future composition of the Board should be seen in the light of these changes.

3. Overall Effectiveness

In general, the consensus was that the Board was continuing to grow in terms of its effectiveness and was doing “pretty well” at addressing the right issues in the right way in the best interests of the business and its shareholder.

The change of CFO provided a very positive opportunity to improve matters further and to rebalance the respective contributions of the non-executive and executive Directors. The Board should take conscious advantage of this.

The introduction of the new-style CEO report at the beginning of each meeting, providing an overview of the business and progress in implementing its strategy, was regarded as a significant improvement in terms of giving the non-executives an understanding of how things stood, and focussing the rest of the meeting. The non-executives attached great importance to the CEO owning the content of that report and opening the meeting by drawing out the key issues from her personal perspective so that they could support her and her team more effectively.

Several Directors said that it was important for the Board to focus its time and attention primarily on the issues which are key to the future success of the business in particular revenue growth (eg mails, financial services and digital). The Forward Look for future Board agendas could be used more effectively to ensure this happens.

Several Directors commented on the danger of the Board getting drawn into too much detail and becoming too “executive”. This had often happened where the executive’s contribution on an issue had not been strong and it was thought that the style and contribution of the new CFO could help the Board control that tendency where it was inappropriate. It was also suggested that where individual Directors were particularly interested in the detail of a particular issue, they should be encouraged to take this off-line.

There is a specific question about how “intrusive” the non-executives should be in relation to regulatory/compliance matters in relation to financial services on which there are different views round the Board table. The Board should discuss this.

A couple of Directors wondered whether the Board had become more risk averse and whether this was detracting from the need to drive growth. On the other hand, it was suggested that a more explicit articulation of key risks facing the business eg on a quarterly basis, might be helpful.

Overall, the executives value the Board's contributions especially on the commercial agenda. The NEDs were all thought to be well engaged in the business, knowing the key people and talking to them outside meetings when appropriate. The level of challenge is thought to be right but it was suggested that the Board could be more forthcoming with praise where it was due.

Many people commented on the dynamic around the Board table which they thought was very good. There were no "egos" on display; differences were aired frankly and it was felt that the non-executives did not pull their punches. The best discussions were those where the papers were clear; had been properly digested by everyone; taken as read; and the non-executives' questions and concerns were aired at the outset so that the discussion covered these thoroughly. The Chairman was recognised as someone who encouraged debate but it was suggested that she could sometimes bring discussions to a conclusion more briskly.

One Director commented that It was important that there was no loss of energy in the Board in the period before the current Chairman and SID stood down.

4. Organisation of the Board

Recently, Board agendas had become very packed and energy levels had flagged in the afternoons. The inclusion of a speaker during the lunchtime session had put further pressure on the use of time. Several people requested a clear break of at least 30 minutes for lunch. One Director suggested that meetings should be limited to 4 hours and another that the Board could sometimes meet the evening before the formal meeting to discuss issues which did not need to be decided formally, thus taking some pressure off the agendas.

It was generally thought that the Board papers had deteriorated in quality - they were far too long and insufficiently clear. One Director commented that the volume of papers for each meeting was about 4 times the volume of papers for other Board meetings attended. It was unclear who owned the quality of what came to the Board. Further work is needed here.

It was also suggested that the Board might meet in different Post Office venues as it had in the past, where there was business activity with which it could usefully engage.

5. Composition of the Board

With the forthcoming change of Chairman and SID, it is agreed that maintaining continuity amongst the remaining non-executives is important for the business. The new SID will need to complement the experience of the new Chairman so that between the two of them, they cover both the commercial and the government waterfronts. Given the range of business issues with which the Board needed to engage, there might be a case for adding an additional non-executive in the longer run. It would be helpful to recruit to the Board people who had IT and digital skills as well as knowledge of mails, and to broaden the diversity of the group.

6. Sub-Committees

The Remuneration and Nominations Committees were working well, addressing the right issues at the right time and reaching clear decisions when required.

The Audit and Risk Committee had taken longer than had been hoped to get to grips with some important key issues, such as risk, but progress had been made. The new CFO would put his stamp on this, and other changes in personnel would help here.

There is an issue, raised below, about the extent to which the ARC should engage in the financial services side of the business.

Members of the ARC are clear that meetings need to take place face to face rather than on the telephone and this has been addressed in the planning of future meetings.

The Pensions Sub-Committee had broken the back of its original agenda and in the future, should not need to meet more than a couple of times a year. But it was agreed that it should remain in existence and should be accorded appropriate executive support.

The two non-executive Directors on the Financial Services Sub-Committee both take the view that it should be wound up once the POMS Board is fully up and running under the Chairmanship of [REDACTED]. They believe that the Sub-Committee falls into the trap of becoming inappropriately executive; that the current arrangements allow for a lack of clarity about the role of the ARC in respect of FS matters and that the Sub-Committee is not a good use of non-executive time.

Instead they suggest that post Hawk:-

The POMS Board should take responsibility for all “in scope” insurance matters with updates provided to the ARC on an agreed basis to ensure that the ARC continues to have a company-wide oversight of this area of business;

The ARC should take responsibility for non-POMS related FS matters in a discrete section of its meetings to which at least one BoI representative should be invited alongside [REDACTED] and his team. Tim Franklin has offered to meet [REDACTED] ahead of each ARC meeting to ensure the right level of non-executive scrutiny and avoid detailed presentations or discussions.

This issue needs to be discussed and a way forward agreed with all concerned.

7. Issues

The focus of the Board’s time and use of the Forward Look in planning this.

Board members to flag when they think the non-executives are in danger of becoming too executive.

The Chairman to be quicker on drawing discussions to a close.

The length of meetings and use of afternoons/evenings before the formal Board meetings.

The quality of Board papers and who is responsible for assuring this.

The Board’s role on financial services regulation/compliance.

The future of the Financial Services Sub-Committee post Hawk.

In the longer term, after the appointment of the new Chairman, the size of the Board and possible widening of skills and experience represented.

Board Review 2016: Overview

Board Composition

Q1 How appropriate is the Board's composition?

Please comment if you feel there are any additional skills which ought to be added to the Board.

Excellent - Good - Adequate - Poor

Q2 Please describe the key changes that ought to be made to the profile of the Board over the next 3 years to match the company's strategic goals.

Free Text Question

Board Expertise

Q3 How well does the Board understand the views and requirements of the following key stakeholders?

Please comment if you feel the Board's understanding of one or more stakeholder group(s) ought to develop further.

Multiple numeric scale: rate each of the following from 1 ('Very Poor') to 5 ('Very Good'):-

- *The Government*
- *Customers*
- *Employees*
- *Sub Postmasters*

Q4 How would you rate the Board's understanding of the company's product pillars?

Please identify any specific areas in which you feel the Board's understanding ought to develop further.

Multiple numeric scale: rate each of the following from 1 ('Very Poor') to 5 ('Very Good'):-

- *Mails and Retail*
- *Personal Financial Services*
- *Payments*
- *Government Services*
- *Telephony*
- *FRES*
- *POMS*

Board Dynamics

Q5 On a scale of 1 to 5 (where 3 is 'appropriate') how would you rate the level of involvement of Non-Executives in the affairs of the company outside Board meetings?

Please comment if you do not feel the balance of Non-Executive involvement is appropriate, or if you have any suggestions for improving the engagement of the Non-Executives.

Too Little Involvement ← 1 - 2 - 3 - 4 - 5 → Too Much Involvement

Q6 How would you rate the quality of the relationships between individual Board members?

Excellent - Good - Adequate - Poor

Q7 How would you rate the Non-Executive Directors' engagement with management in:

Multiple numeric scale: rate each of the following from 1 ('Very Poor') to 5 ('Very Good'):-

- Providing effective support

- Providing effective challenge

Q8 How would you rate the quality of the relationship between the Board and the Post Office Advisory Council?

Please comment if you have any suggestions for improving the relationship or communication between the Board and the Post Office Advisory Council.

Excellent - Good - Adequate - Poor

Q9 How, if at all, could the atmosphere in the boardroom further encourage equal contribution, candid discussion and critical thinking?

Free Text Question

Time Management

Q10 How would you rate the planning of the annual cycle of work of the Board?

Please comment if you do not feel that all important issues are covered during the year.

Excellent - Good - Adequate - Poor

Q11 How would you rate the Board's agenda?

Please comment if you don't think that it covers the key issues and/or that the items are not well prioritised.

Excellent - Good - Adequate - Poor

Q12 How well does the Board review the effectiveness of past decisions and capture any lessons or actions required?

Excellent - Good - Adequate - Poor

Q13 What, if anything, do you feel the Board spends too much time focusing on?

Free Text Question

Q14 What, if anything, do you feel the Board spends too little time focusing on?

Free Text Question

Board Support

Q15 How would you rate the frequency of presentations made to the Board by management?

Too Few ← 1 - 2 - 3 - 4 - 5 → Too Many

Q16 How would you judge the quality of the presentations made by management to the Board?

Please comment if you have any feedback for those presenting at meetings.

Excellent - Good - Adequate - Poor

Q17 How would you rate the following aspects of the Board packs?

Multiple numeric scale: rate each of the following from 1 ('Inappropriate') to 5 ('Appropriate'):-

- Length
- Use of Summaries
- Structure
- Timeliness

Q18 Please detail any recommendations for improving the content and format of the various management reports contained in the Board packs.

Free Text Question

Board Committees

Q19 How would you rate the performance of the Committees of the Board?

Please comment if you feel that the performance or reporting of one or more Committee(s) ought to improve.

Multiple numeric scale: rate each of the following from 1 ('Very Poor') to 5 ('Very Good'):-

- ARC
- NOMCO
- REMCO
- POAC

Strategic Oversight

Case Study: June Strategy Day

Q20 How would you rate the agenda for the strategy day?

Please comment if you don't think that it covered the key issues and/or that the items were not well prioritised.

Excellent - Good - Adequate - Poor

Q21 How would you judge the quality of the presentations made to the Board during the strategy day?

Please detail any recommendations you may have with respect to the quality of the presentations, or the balance between presentation and discussion during the strategy day.

Excellent - Good - Adequate - Poor

Q22 How would you rate the clarity and articulation of the conclusions reached during the strategy day?

Excellent - Good - Adequate - Poor

Q23 What would be your top 3 priorities for improving the Board's next strategy day?

Free Text Question

Wider Strategic Oversight

Q24 On a scale of 1 to 5 (where 3 is 'appropriate') how would you rate the involvement of the Board in determining the strategic direction of the company?

Please comment if you do not feel the Board's involvement in determining the strategic direction is appropriate, or if you have suggestions for improving engagement in this area.

Not Involved Enough ← 1 - 2 - 3 - 4 - 5 → Too Involved

Q25 How effective has the Board been in testing and developing the company's strategy?

Excellent - Good - Adequate - Poor

Q26 In what specific ways do you feel the Board could contribute further to testing and developing the company's strategy?

Free Text Question

Q27 How good is the Board's understanding of the company's performance relative to its main competitors in the following areas?

Multiple numeric scale: rate each of the following from 1 ('Very Poor') to 5 ('Very Good'):-

- Mails & retail
- Financial Services
- Telephony
- Government Services

Q28 What do you feel are the top 3 strategic issues facing the company over the next 3 years?

Free Text Question

Risk Management and Internal Control

Q29 How would you rate the Board's focus on risk?

Please comment if you have any suggestions for improving the Board's focus on risk or the structure of risk discussions at meetings.

Too Granular ← 1 - 2 - 3 - 4 - 5 → Too High Level

Q30 How would you rate the level of detail provided on risk and reward in papers submitted to the Board?

Too Little Detail ← 1 - 2 - 3 - 4 - 5 → Too Much Detail

Q31 How good is the Board at considering risk when making strategic and operational decisions?

Excellent - Good - Adequate - Poor

Q32 How can the Board improve its performance in risk management / oversight?

Free Text Question

Succession Planning and Human Resource Management

Q33 How would you rate the appropriateness of the structure of the company at Group Executive level?

Excellent - Good - Adequate - Poor

Q34 Are there any key positions which you think the company lacks or ought to be strengthened?

Free Text Question

Q35 How effective is the Board's oversight of succession plans for the following members of management?

Please comment if you have any observations relating to the development or succession plans for management, or suggestions for improving the role of the Board in this area.

Multiple numeric scale: rate each of the following from 1 ('Inappropriate') to 5 ('Appropriate'):-

- *The Chief Executive*

- *The Chief Financial Officer*

- *The Group Executive*

Priorities for Change

Q36 If there was one practice you could bring to the Post Office Board from another Board upon which you serve, or have served, what would it be?

Free Text Question

Q37 In terms of improving the Board's performance, what would be your top 3 priorities for the coming year?

Free Text Question

Post Office

BOARD REVIEW 2016

Date: January 3rd 2017

Strictly confidential



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Board Review 2016

Executive Summary

Board Composition – the composition of the Board was rated highly. The addition of greater IT expertise was suggested by some, being identified as a key change that should be made to the Board's profile to match the company's strategic goals.

Board Expertise – the Board's understanding of the views of the Government, customers and employees received positive ratings, whereas the understanding of sub postmasters received a mediocre rating and a few felt that the understanding in this area should improve. The Board's understanding of the product pillars was positively rated overall.

Board Dynamics – the relationship between the individual Board members was rated very highly, and the level of Non-Executive involvement in the company's affairs outside Board meetings was deemed appropriate. The Non-Executives' support and challenge of management was rated highly, but the rating of the Board's relationship with the Post Office Advisory Council was slightly mixed, and a few felt that periodic Non-Executive attendance at meetings of the Council would be beneficial.

Time Management – the planning of the Board's annual cycle of work and the agenda were highly rated overall, while the Board's review of the effectiveness of past decisions was rated as at least adequate. The performance of the company and competitors were each identified by a few respondents as areas on which the Board should spend more time focusing.

Board Support & Committees – the presentations made to the Board by management were rated highly, although around half of the respondents felt there tended towards being too many presentations. Whilst the structure and timeliness of the Board packs were positively rated, the rating of the length of the Board packs was mixed and mediocre overall, and the rating of the use of summaries within the packs was also slightly mixed. The performance of the Committees was positively rated.

Case Study: June Strategy Day – the agenda for the strategy day and the quality of presentations at the event were highly rated, as was the clarity of the conclusions reached. The top priorities for improving the next strategy day were identified as i) allowing more time for discussion, ii) improving the papers, iii) focusing the agenda, and iv) improving the location.

Wider Strategic Oversight – the involvement of the Board in determining the strategic direction of the business was generally seen as appropriate, and the Board's testing and development of the strategy was rated highly overall. The Board's understanding of the company's performance relative to its main competitors in Mails & Retail and Financial Services was positively rated, whereas the ratings of the Board's understanding of relative performance in Telephony and Government Services were somewhat mediocre overall.

The top strategic issues facing the Post Office over the next 3 years were identified by the respondents as i) the relationship with Royal Mail, ii) the Bank of Ireland agreement, iii) the IT transformation, and iv) reducing costs.

Risk Management and Internal Control – the effectiveness with which the Board considers risk when making strategic and operational decisions was positively rated overall, although around half of the respondents indicated that the Board's focus on risk tended towards being too high level. In order to improve the Board's management and oversight of risk, a few respondents felt that the information provided ought to improve, and the level of detail provided on risk and reward in papers submitted to the Board received a rather mixed response on the whole.

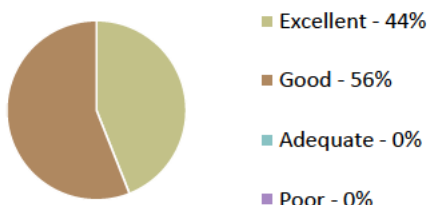
Succession Planning and Human Resource Management – the structure of the company at Group Executive level was rated highly, and it was noted that changes had recently been made to the structure. Mails was identified by a few respondents as a key area in which the company ought to be strengthened, and the Board's oversight of succession plans for the Chief Executive, the Chief Financial Officer and other Group Executive members received mediocre ratings overall.

Priorities for Change – the top priorities for the Board over the coming year were identified as focusing on strategy, having a greater focus on the performance of the business, and ensuring the Board has sufficient time for discussion. The provision of short, clear papers was also referred to as a practice from other Boards that the Post Office Board would benefit from adopting.

Board Review 2016

Board Composition

Q1 How appropriate is the Board's composition?



The composition of the Board was rated highly.

The addition of greater IT expertise was recommended by some respondents, being identified as a key change that should be made to the Board's profile over the next 3 years to match the company's strategic goals. One respondent felt that the Board would benefit from a stronger IT presence, especially in transformation, and another stated that whilst there were some IT skills represented on the Board, deeper digital, online 'agile' experience might be needed as the company moves to become a digital-led organisation.

One respondent felt that whilst the Board had been strengthened considerably over the past year with a new Chairman, Senior Independent Director and Audit, Risk & Compliance Committee ('ARC' hereafter) Chairman, IT experience was still lacking. The respondent stated that they had a great deal faith in the new CIO, and felt unsure whether appointing an 'IT NED' was going too far, but suggested that IT was an important area which the company needed to 'get right' this time round, and wondered whether the Board could be better qualified to form a judgement on the IT issues it was considering.

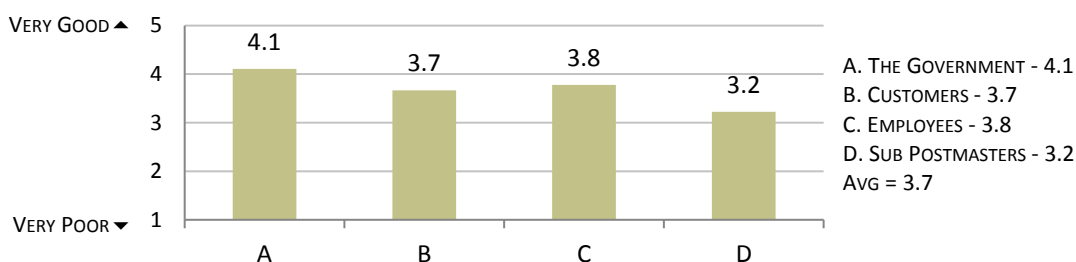
It was also suggested by one respondent that the appointment of someone with telecommunications experience would be an asset, while another felt that the Board might benefit from an additional Director with more retail experience, in particular from the convenience store / franchise / food sector. The importance of maintaining Mails and FS knowledge, and experience of risk and transformation, if changes to the Board are to occur over the next 3 years, was also stressed by one respondent.

The Board's profile in the context of the company's strategic goals was commented on favourably, and it was suggested that the recent changes to the Board were helping to drive a more commercial focus, with the additional knowledge of Mails also seen as helpful. One respondent felt that, with the Board having recently experienced a major refresh, it would be unhelpful for further changes to be made over the next couple of years. Another also suggested that – aside from perhaps greater IT experience – there should not be any specific changes made over the next 3 years; the respondent felt that there had been sufficient refreshment over the past 12 - 15 months, and the Director team was setting a strategy to take it forward, which they should see through.

The size and make-up of the Board was commented on favourably by one respondent, who suggested that as the Non-Executive Directors rotated, the Board could continue to review the right skills mix. Another respondent also suggested that, having only recently changed the Board composition to address what were serious 'gaps', notably in Mails, IT, Retail FS and a much sharper retail and commercial focus, these areas were now covered by Ken McCall, Carla Stent and Tim Parker; the respondent identified digital process re-engineering as now being the only major gap.

Board Expertise

Q2 How well does the Board understand the views and requirements of the following key stakeholders?



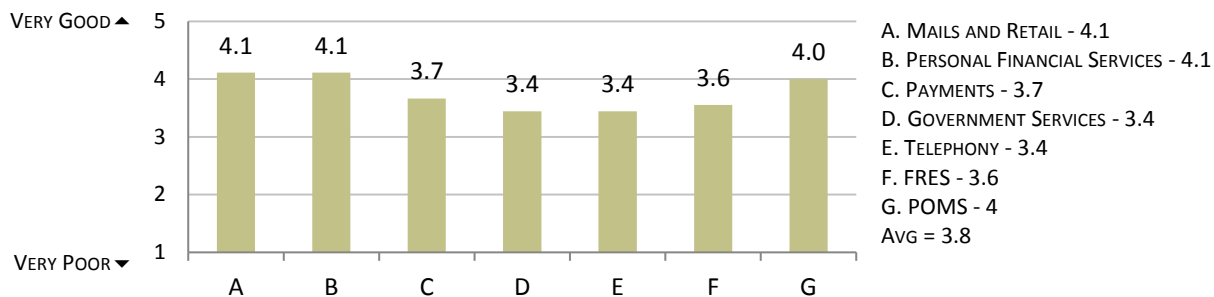
The Board’s understanding of the views and requirements of the Government, customers and employees were positively rated.

While the focus on sub postmasters was said to have improved over the past year, **the Board’s understanding of sub postmasters received a mediocre rating and a few felt that the understanding in this area should improve**, with it being suggested that there were many different categories of sub postmaster and it would be beneficial to check whether the Non-Executives feel they have had sufficient exposure. One respondent felt that the Board could better understand the perspective of the sub postmasters, although this was made difficult by there being such a wide variety of types of sub postmaster, with the different types having different and potentially conflicting perspectives. Another respondent recommended having a greater focus on seeing the business from the perspective of the sub postmasters who delivered most of the network.

One respondent also felt that, with regard to understanding the views and requirements of customers, having a greater focus on SMEs might be beneficial. Another respondent added that, whilst the business had a number of fora that facilitated the understanding of key stakeholders, it would be necessary to identify ways to better understand the end digital customers, i.e. not through the sub postmasters.

One respondent felt unsure whether the Board fully understood the position of the Government very well, adding that Richard Callard was on the Board to provide this insight.

Q3 How would you rate the Board's understanding of the company's product pillars?



The Board’s understanding of each of the company’s product pillars received positive ratings on the whole.

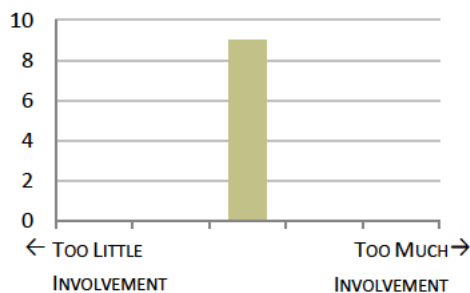
The following comments were made in relation to improving the Board’s understanding of the product pillars:

- Government Services tends not to be subject to much consideration at the Board, which has not challenged whether the business is doing enough to boost this pillar; it is in structural decline but there are some interesting opportunities
- FRES is subject to less scrutiny than it perhaps deserves, as it is ‘one step removed’ from the rest of the business
- The Board’s understanding of the identity market and payments ought to develop further
- The Board has a good understanding of the product pillars on an ‘as is’ basis, but understanding how these products may be delivered in the future is a work in progress
- The Board should receive regular updates from each business, or sub-business units, at least once per year

One respondent added that the financial services Non-Executives brought great insight into the financial services side of the business, and the Board’s understanding of Mails had greatly improved with the membership of Ken McCall.

Board Dynamics

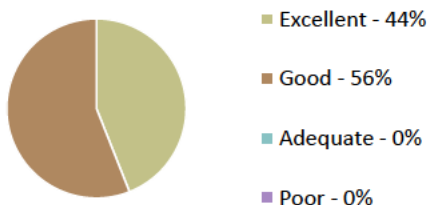
Q4 How would you rate the level of involvement of Non-Executives in the affairs of the company outside Board meetings?



The level of involvement of the Non-Executives in the affairs of the company outside Board meetings was universally deemed appropriate. The Non-Executives were said to be invited to provide input as required, and the Executive were seen to be supportive of Board-initiated requests.

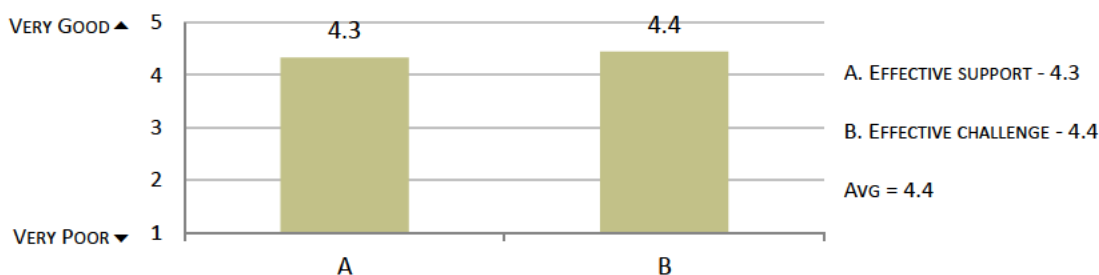
One respondent stated that they were always pleased with the level of interaction of the Non-Executives with the business outside Board meetings, although the respondent felt that the Non-Executives could be more challenging of the executive members at the Board, and be more probing about why some decisions had been made and who was accountable.

Q5 How would you rate the quality of the relationships between individual Board members?



The relationship between the individual members of the Board were very highly rated, and the Board was described as a good team.

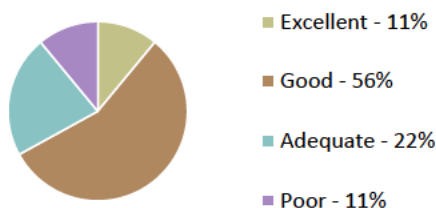
Q6 How would you rate the Non-Executive Directors' engagement with management in providing:



The Non-Executive Directors' engagement with management in providing effective support and challenge was rated highly.

As noted under question 4, one respondent felt that the Non-Executives could be more challenging of the executive members at the Board, and be more probing about why some decisions had been made and who was accountable.

Q7 How would you rate the quality of the relationship between the Board and the Post Office Advisory Council?



Whilst positive on the whole, **the rating of the Board's relationship with the Post Office Advisory Council was slightly mixed.**

A few respondents felt that **periodic Non-Executive attendance at the Post Office Advisory Council would be beneficial**, with it being suggested that this would benefit the Council and the Board's understanding of key stakeholders. It was noted that Non-Executives had been invited to attend, and one respondent recommended planning visits by each Non-Executive, once every two years.

One respondent, who stated that they could make more effort to attend the Post Office Advisory Council, and suggested that the other Non-Executive had not been to a meeting of the Council either, did add that there was a question of whether the Non-Executives – aside from the Chairman of the Council – would find it valuable to attend with any regularity.

The value of having input from the Chief Executive at every Council meeting, and reports from the Chairman of the Council at the Board meetings, was highlighted by another respondent.

Q8 How, if at all, could the atmosphere in the boardroom further encourage equal contribution, candid discussion and critical thinking?

The atmosphere in the boardroom was positively rated overall. The Board was seen to benefit from open and engaged discussions, with the room to discuss issues, and it was suggested that the Non-Executives seemed able to contribute and challenge, and were candid. One respondent, who felt that the Board had formed well and no Non-Executives 'held back', added that the Non-Executives had gained confidence, flagging questions and sometimes interrupting the Chairman, when necessary.

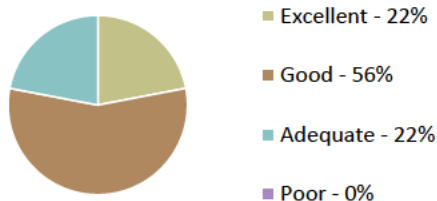
Suggestions for further encouraging equal contribution, candid discussion and critical thinking included:

- The Board would occasionally benefit from a more open-ended discussion – the debate has been curtailed or sometimes removed entirely by the immediate comments of the Chairman and/or a member of the Board
- The Chairman sometimes talks for quite some time about his own thoughts on matters, which is interesting given his experience and he is nearly always entirely correct, but it is difficult to 'butt in' and stop the flow, even though he does encourage the Non-Executives to do so; often in these situations Non-Executives tend to stay quiet, perhaps because there is not much more to add, but it is hard to be sure if this is the reason why all Non-Executives stay quiet
- The Board is fairly large and the different experiences and perspectives, whilst positive, often mean that a fulsome discussion is not possible, given time constraints; it might be helpful to request, in advance, a Board-level sponsor of an initiative (especially as the Executive do speak with relevant Board members in advance of material being circulated) and/or invite key questions from all Board members in advance of the Executive responding
- The Board would benefit from hearing more from the Chief Executive, as it is often unclear where she stands on the issues presented to the Board by her direct reports; it would also be helpful to hear from the Chief Executive a summary of the challenge from the perspective of the Group Executive to any particular issue

One respondent, who felt that the Board was beginning to function well, with complementary skills, and the dinners helped to improve personal relations between individual members, suggested that there was more work to be done to get to know individual members of the executive team, especially those with P&L responsibility.

Time Management

Q9 How would you rate the planning of the annual cycle of work of the Board?



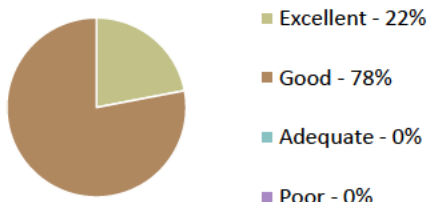
The planning of the Board’s annual cycle of work was positively rated.

It was suggested by one respondent that having an annual presentation on each area of the business built into the Board planning cycle would be beneficial.

Another respondent felt that whilst the Board tended to have a good view of what was upcoming, the Board suffered from not having a February meeting. The respondent suggested that too much emphasis was placed on the March meeting to approve the budget as a result, leaving insufficient time to consider and scrutinise the budget before the start of the next financial year.

‘Government slowness’ over Remuneration Committee issues was said by one respondent to have resulted in the annual cycle of work being less than excellent; the respondent clarified that this comment did not relate to the Government Non-Executive.

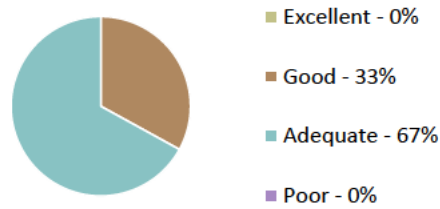
Q10 How would you rate the Board's agenda?



The agenda of the Board was rated highly. The Board was said to have agreed a greater focus on commercial performance and customers, which it was suggested the planned quarterly appearances by the Retail and FS Chief Executives ought to address.

One respondent felt that more of the Board’s time should be spent on operational performance, and suggested that at every meeting the Board should hear from the Heads of the two big business units on performance, key issues and what was ‘keeping people awake at night’.

Another respondent suggested that there could be more visibility of the agenda topics over the next 6 months.

Q11 How well does the Board review the effectiveness of past decisions and capture any lessons or actions required?

The Board's review of the effectiveness of past decisions was rated as at least adequate. One respondent suggested that the effectiveness of past decisions was reviewed very thoroughly via the ARC.

The following comments were made in relation to the Board's review of the effectiveness of past decisions:

- The Board's review of the effectiveness of past decisions is improving but follow up dates and actions are seldom noted, making the subsequent (and timely) review more challenging
- The 'lessons learned' papers are adequate but never quite get to the bottom of who was accountable and why such circumstances quite turned out the way they did, aside from some generic statements
- The review of the effectiveness of past decisions is captured in the minutes, but past decisions are not reviewed on a formal basis

One respondent observed that all lessons learned seemed to focus around IT.

Q12 What, if anything, do you feel the Board spends too much time focusing on?

The allocation of time at meetings, and the balance of the agenda with many items to get through, were commented on favourably. One respondent, who stated that they could not recall a time when the Board had the 'luxury' to spend too long on a topic, added that good chairing also avoided this, and another respondent concluded that the Board was debating the most important issues comprehensively, and was not allocating too much time to 'non-decision' work.

A few respondents felt that **the Board ought to spend more time focusing on performance**, with the underlying commercial performance of the business, and the detail around performance, referred to in particular. One respondent, who noted that the Board had agreed a greater focus on commercial performance and customers, suggested the planned quarterly appearances by the Retail and FS Chief Executives ought to address this.

A few also felt that **the Board should devote more time to competitors**, including related performance. One respondent recommended spending more time on competitor risks and moves by the Post Office's two main partners, Royal Mail and Bank of Ireland.

Further suggestions as to areas on which the Board spends too little time focusing included:

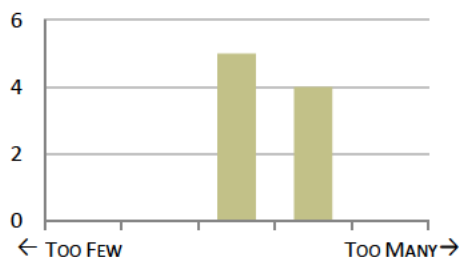
- The transformation agenda
- Funding proposals put forward by the business
- Gaining greater insight into sub postmasters businesses and viewpoints
- The yearly budget
- Government Services and FRES
- Customers
- The 'next best alternative' on Mails strategy, and the negotiating approach with Royal Mail
- Market

One respondent added that whilst the focus needed to be on the commercial and strategic future of the business, the Board was also accountable for overall governance (in relation to compliance, risk, etc.). The respondent felt that whilst this was within the mandate of the ARC, which many of the Board members served upon, there were several Board members who did not sit on the Committee who required confirmation of the effectiveness of the controls and areas of more personal liability (e.g. retail property controls).

Another respondent felt that whilst there was a constant challenge around whether the Board collectively understood 'what we are signing up to' around IT change, this was improving and now might be about right.

Board Support

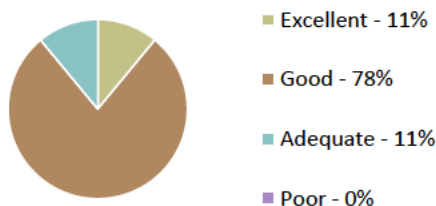
Q13 How would you rate the frequency of presentations made to the Board by management?



Around half of the respondents felt that **there tended towards being too many presentations made to the Board by management.**

One respondent, whilst stating that they liked the teams coming to present to the Board, suggested that the Chief Executive had a tendency to act a little too ‘Non-Exec’ on occasion. The respondent felt that there ought to be greater advocacy from the Chief Executive over what her teams were doing, having challenged them pre-Board, so that the Board could see how they had gone on to refine their proposal before it came to the Board.

Q14 How would you judge the quality of the presentations made by management to the Board?

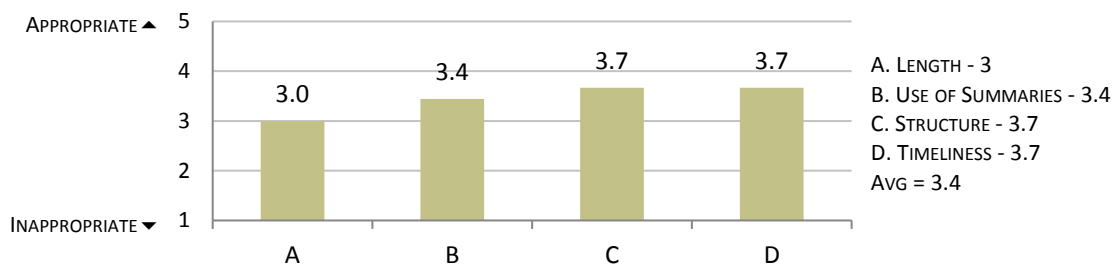


The quality of the management presentations was rated highly, and one respondent felt that some of the strategy work in particular had been truly excellent.

The management presentations were said by one respondent to vary depending on the presenter. Another respondent felt that there was some inconsistency across the commercial function in particular, but added that this ought to be addressed by the new structure and responsibilities.

One respondent felt that the Board required more results-based presentations, and then to discuss improvement actions and alternatives, while another respondent suggested that there ought to be a greater focus on key risks to the business in each presentation.

Q15 How would you rate the following aspects of the Board packs?



The structure and timeliness of the Board packs were positively rated.

The rating of the length of the Board packs was somewhat mixed and mediocre overall, however. One respondent, whilst commenting favourably on the fact that the packs were getting shorter, suggested that the papers themselves could be too long and ‘winding’, without really focusing on the issues that the Board really needs to consider.

Whilst positive overall, **the rating of the use of summaries within the packs was also slightly mixed**. One respondent felt that providing fewer pages and more focused summaries would benefit the Board, allowing more time for discussion around the core issues. Another respondent, who was of the opinion that not all management reports were as well written or as succinct as they could be, suggested that some used summaries very well, whereas others needed work.

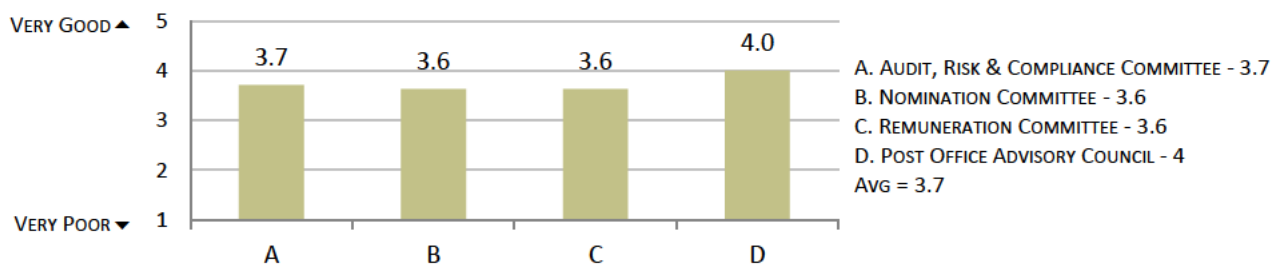
Further recommendations for improving the management reports within the Board packs included:

- There should be more appendices placed towards the rear of the document, with more results and facts in the executive ‘up front’ part of the report
- There needs to be more information provided on the performance of the two main business units, with a template that covers the key components of each business
- Those preparing the reports should ensure they are clear about the output required from the Board
- The finance / performance pack would benefit from more business / market narrative
- There should be a greater focus on key risks to the business, which need to come to the Board as well as the ARC
- There is a great deal of detail and explanation of the frameworks in many of the papers, although the Board papers are better than the ARC papers in this regard
- There is some repetition driven by the format used in the Chief Executive report, which would be worth reviewing

One respondent also felt that the packs could sometimes be distributed a couple of days earlier.

Board Committees

Q16 How would you rate the performance of the Committees of the Board?



The performance of the Committees of the Board received positive ratings overall.

All of the Committees were said by one respondent to be finding their feet with new members and Chairmen, as well as adapting to the changing needs of the business. Another also felt that, while the POAC was well established, the ARC, Nomination Committee and Remuneration Committee were still at different stages of development with new Chairmen and external issues and events having more bearing (e.g. the Government with regard to bonuses, the burden of new policies, the changing risk approach for ARC).

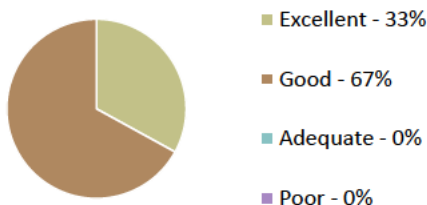
Under new leadership, the ARC was said by one respondent to be getting to grips with the many risks around the business. Another respondent also suggested that the ARC was beginning to challenge the focus of the meeting, which would improve the Board’s focus on risk.

The difficulty of the Remuneration Committee’s work, given the constant tension between the Government’s reticence on pay and the Committee’s desire to balance reward and retention, was noted by one respondent, who added that they could not really comment on the performance of the Remuneration Committee as they did not participate in its workings. The respondent also added that they could not really comment on the Nomination Committee as they did not have good visibility of its work, and they had not seen enough of the POAC to be able to meaningfully rate its performance.

Strategic Oversight

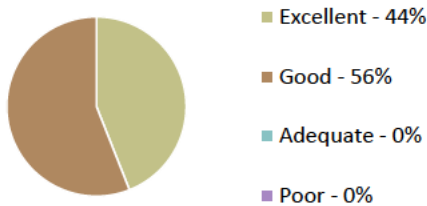
Case Study: June Strategy Day

Q17 How would you rate the agenda for the strategy day?



The agenda for the strategy day was rated highly. One respondent, who felt that the agenda had been very clear, also suggested that the papers were concise, which was helpful.

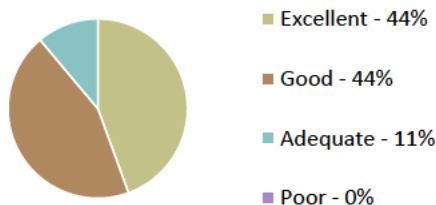
Q18 How would you judge the quality of the presentations made to the Board during the strategy day?



The quality of presentations made to the Board during the strategy day was also highly rated.

One respondent felt that whilst the balance and quality of presentations had been good, it would have been better to spend even more time discussing the range of issues at hand.

Q19 How would you rate the clarity and articulation of the conclusions reached during the strategy day?



The clarity and articulation of the conclusions reached during the strategy day was rated highly overall. The Chairman was said, by one respondent, to have been particularly good at summing up the key issues and forming a consensus around the Board on the way forward with BOI.

Another respondent suggested that the Board was constantly covering the same ground as previously (e.g. mail strategy, network strategy) without seeing any real progress on the ground. The respondent also felt that the conclusions of the away day were very high level, such that specific decisions were somewhat ‘parked’ for a later date, although the respondent supposed that this was the point, as it was about a ‘general steer’, and concluded that their experience was tarnished by the two other away days they had participated in.

Q20 What would be your top priorities for improving the Board's next strategy day?**The top priorities for improving the Board's next strategy day were identified as:****i. Allowing more time for discussion (4 respondents)**

The importance of ensuring there is enough time for discussion at the strategy day was stressed. One respondent suggested having fewer agenda items and more detailed discussions, while another recommended allocating more time to discussion and less to presentation. It was also suggested that having more opportunities to chat outside the meeting would be beneficial.

ii. Improving the papers (4 respondents)

It was suggested that receiving shorter papers would be beneficial, with the importance of providing clearer pre-reading with key issues better articulated over fewer pages being stressed. One respondent felt that a shorter pack, with summaries, should be circulated, and Non-Executives' questions on content or clarifications ought to be emailed back in advance, so they could be dealt with upfront. Another respondent also recommended providing the papers earlier for pre-reading.

iii. Focusing the agenda (2 respondents)

Being more focused was identified as a priority, and the importance of continuing to keep the agenda tightly focused on key strategic issues only was stressed by one respondent, who also recommended encouraging the Chief Executive to lead more on these areas.

iv. Improving the location (2 respondents)

It was suggested that using a better location would be beneficial, with one respondent recommending using a bigger space.

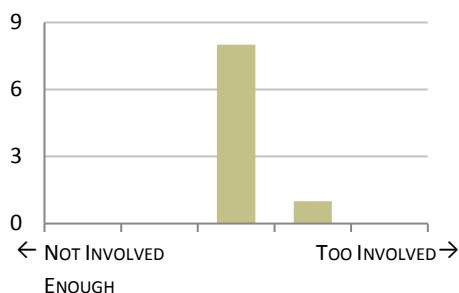
Further priorities included limiting attendance to the Board only, ensuring there is a focus on the market, making sure there is enough focus on future trends, and having more 'outside/in thinking' with an external speaker or thought leader to provide an external perspective. One respondent also recommended having a session on 'imagine the future' to 'think big' about the Post Office, including a global look at other Post Offices, and focusing on the vision around future ownership and the funding model.

Another respondent concluded that the next strategy day was too far away to set the priorities for improving at this point in time, and the respondent suggested waiting to see what the funding position of the business was first.

The strategy days were said, by one respondent, to be well structured with excellent input material, combined with time for good quality debate. The respondent also suggested that the residential aspect provided an opportunity for the Board to get to know each other better.

Wider Strategic Oversight

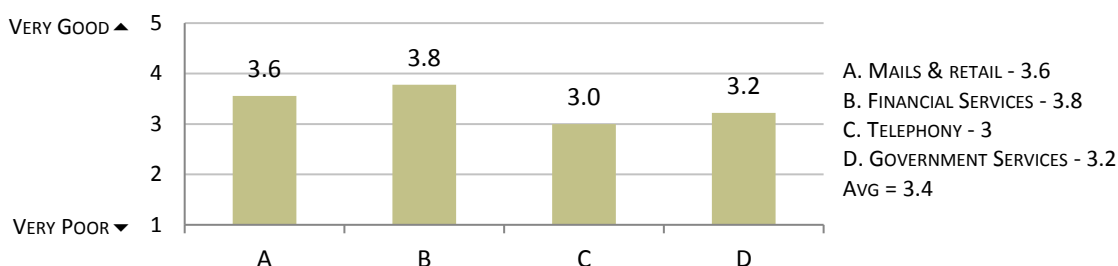
Q21 How would you rate the involvement of the Board in determining the strategic direction of the company?



The involvement of the Board in determining the strategic direction of the business was generally seen as appropriate.

One respondent felt that that the involvement of the Board in determining the strategic direction was about right, assuming that the Executive had ‘scrubbed’ the proposals and refined them first. The respondent stated that they were sometimes concerned about the level of scrutiny the plans had been subject to by the business / Executive before they were presented to the Board.

Q22 How good is the Board's understanding of the company's performance relative to its main competitors in the following areas?

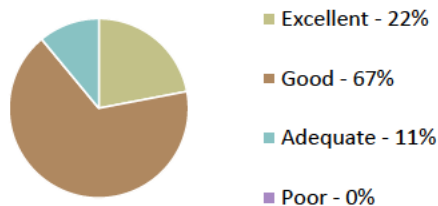


The Board’s understanding of the company’s performance relative to its main competitors in Mails & Retail and Financial Services was positively rated, whereas **the ratings of the Board’s understanding of relative performance in Telephony and Government Services were somewhat mediocre overall.**

One respondent suggested that the Board had not covered the Government Services strategy for some time, and it was almost ‘forgotten about’ despite accounting for around £85m of revenue. The respondent felt that this was understandable on the basis that it was in structural decline, but so were some of the other business lines, and the respondent stated that whilst they understood there was a strategy somewhere, it had not yet been shared with the Board.

The Board was said, by another respondent, to rarely receive meaningful competitor analysis in any of the areas in which the Post Office operates.

Q23 How effective has the Board been in testing and developing the company's strategy?



The Board's testing and development of the company's strategy was rated highly overall. One respondent added that the Executive had engaged in an open dialogue with the Board, with regular progress updates (e.g. on the Mails strategy and Project Peregrine), and the respondent felt that regular updates between the Board meetings were also helpful. Another respondent suggested that the Board had provided excellent support and challenge across all areas, most importantly in supporting and holding management firm on challenging issues such as IR.

Suggestions as to how the Board could contribute further to testing and developing strategy included:

- Gaining a clearer understanding of the Chief Executive's position on some of the key issues
- Ensuring more 'experiential' involvement of the Board in testing the strategy by engaging third parties to provide strategic insight on key issues
- Considering whether the Board sufficiently 'joins the dots' across the company's pillars, particularly on the IT offering
- Receiving regular briefings on developments in Mails and parcels, convenience store and financial services markets, given there is a great deal happening in the key markets in which the company operates
- Continuing to engage with the Mails journey and identity opportunities
- Considering the results of the 'next best alternative'
- Continuing to work with the company on specific areas of Non-Executive specialism, as happens already, to challenge outside the Board meetings

The importance of the Board being cognisant of the company's funding position was also stressed by one respondent, who suggested that the Board tested the strategy reasonably well but on the basis that it was in isolation of the funding position. The respondent noted that strategy and the funding position were inextricably linked, since the latter limited the former, and stated that all businesses had funding constraints and the strategy should be viewed in this context. The respondent added that this was why the strategy had been 'directionally approved', but no more than that at this stage.

Q24 What do you feel are the top strategic issues facing the company over the next 3 years?

The top strategic issues facing the Post Office over the next 3 years were identified as:

i. The relationship with Royal Mail (8 respondents)

Key contracts and client renegotiations, especially that with the Royal Mail, were seen to represent a top strategic issue and the importance of the contract with Royal Mail enabling bolder ambitions for parcels was stressed. The increased competition in Mails, and the pressure on Royal Mail and the Post Office's contract with them, was referred to, and securing a more appropriate new deal with Royal Mail that allows the Post Office to innovate for the benefit of its customers, including retaining customer data, was prioritised. The Royal Mail future 'or not' was also identified by one respondent as a top strategic issue.

ii. The Bank of Ireland agreement (8 respondents)

The company's FS partner and the relationship with the Bank of Ireland were also identified as top strategic issues. The need to extend the income in FS beyond Bank of Ireland was identified, and breaking exclusivity with Bank of Ireland to allow the Post Office to source products elsewhere, particularly where Bank of Ireland could not, or were unwilling to, provide themselves was identified as a priority.

iii. IT transformation (4 respondents)

The IT transformation was seen as a top strategic issue. Reconfiguring IT / digital to enable cost base changes and open up growth was prioritised, and the importance of delivering change through IT and the network to reduce costs was stressed.

iv. Reducing costs (4 respondents)

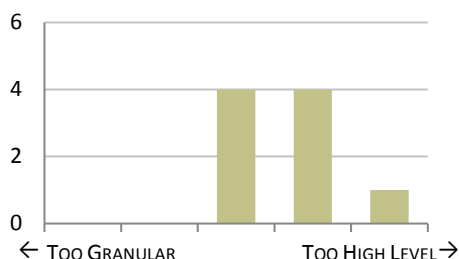
The importance of reducing fixed costs, and the speed at which the company does so, was stressed. Reducing costs by change through IT and the network was identified as a particular strategic issue.

Further suggestions as to the top strategic issues facing the Post Office included:

- Mails strategy
- The relationship with the Government
- Securing funding for the next three years
- Growth in financial services
- Finding a third key pillar for the portfolio (e.g. digital ID, basic banking)
- Resetting the dial with regard to people's view of the Post Office; the traditional 'post office in crisis' narrative is winning despite all the progress the company has made, and without this being reset the company is fighting for its place in the market with 'one hand behind our back'
- Making a significant further reduction in the scope of the directly managed network
- Workforce engagement, as the company modernises
- Eliminating complexity

Risk Management and Internal Control

Q25 How would you rate the Board's focus on risk?

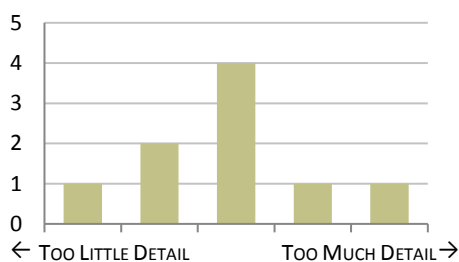


Around half of the respondents indicated that **the Board’s focus on risk tended towards being too high level**. One respondent felt that there was too little focus on risk as the Board papers were still quite light on content in this area, and another suggested producing a more effective risk appetite statement which could be referenced in the Board papers, where applicable.

The focus on risk was said, by one respondent, to have developed considerably, although the respondent noted that this was mainly through the ARC. The respondent could not recall the Board itself contemplating the company-wide risk position, but felt that the discussions at the Board were sufficiently wary of risk for the matter under consideration, and also how it might have knock-on effects.

Another respondent, who stated that management sat within the risk-averse stakeholder environment, suggested that the current Board as well as its predecessor had ‘stretched’ the thinking of management helpfully, and the respondent questioned where, if at all, management might push further.

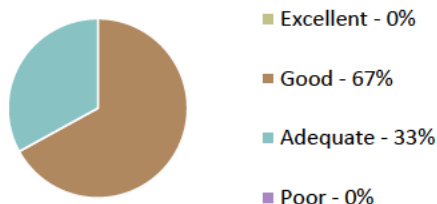
Q26 How would you rate the level of detail provided on risk and reward in papers submitted to the Board?



The level of detail provided on risk and reward in papers submitted to the Board received a rather mixed response overall.

One respondent was of the opinion that risk and reward were generally highlighted well in the papers.

Q27 How good is the Board at considering risk when making strategic and operational decisions?



The effectiveness with which the Board considers risk when making strategic and operational decisions was positively rated on the whole.

Q28 How can the Board improve its performance in risk management / oversight?

In order to improve the Board's management and oversight of risk, a few respondents indicated that **the information provided to the Board around risk ought to improve**, with it being suggested that there should be a greater focus on risk in the Board papers themselves. One respondent recommended making a clearer link in the papers around how decisions fit with the company's risk appetite, while another also suggested that providing simpler charts and dashboards would be beneficial.

One respondent also felt that improved exception reporting generated in the ARC, and the objective of achieving a one-page summary in the next period, would improve the Board's management and oversight of risk. The respondent suggested that this one-page summary could be included in the Board papers, with detail provided on the significant risks.

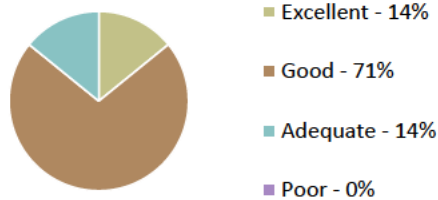
Further recommendations for improving the Board's management and oversight of risk included:

- Ensuring the regular assessment of risks by Business Heads, who should be closest to the market; this should also form part of the regular reporting to the Board
- Focusing more on risk during discussions, and expecting the Executive to attend Board meetings already having considered, and where possible mitigated, these risks
- Considering the business risk on a half-yearly basis; at the moment the ARC considers this and reports back via the minutes and a brief readout, but it is not clear when the Board took a 'step back view' of risk
- Consider where it feels management might be pushed further and the areas in which the Board is 'nervous', and whether risk and reward could be debated more, or better structured in the papers

One respondent suggested that the ARC – rightly – wished to focus on the bigger judgements and decisions, rather than the process.

Succession Planning and Human Resource Management

Q29 How would you rate the appropriateness of the structure of the company at Group Executive level?



The structure of the company at Group Executive level was rated highly. It was noted that the Chief Executive had recently made changes to the Group structure in order to place the CIO position at Group Executive level, to focus on the two main business areas and to raise the profile of communications and strategy. After the changes currently being made, one respondent suggested that the structure of the executive team would be much better aligned to the needs of the business. The respondent identified the new person to run Retail as a critical appointment, and also stressed the importance of the shift in emphasis towards retail in the network, and the Post Office's management of the sub postmasters in that marketplace.

One respondent took great comfort that the CIO position had been substantially strengthened in the form of Rob Houghton and that he now sat on the Group Executive, adding that his role was vitally important and acted as 'the glue' that held the pillars together. Another also suggested that moving IT responsibilities from the Chief Financial Officer and elevating them to the Group Executive was correct, given the ambition and the scale of the risk, and noted that the additional responsibilities assigned to the Chief Financial Officer increased the scope of the role, requiring him to have a number of excellent direct reports.

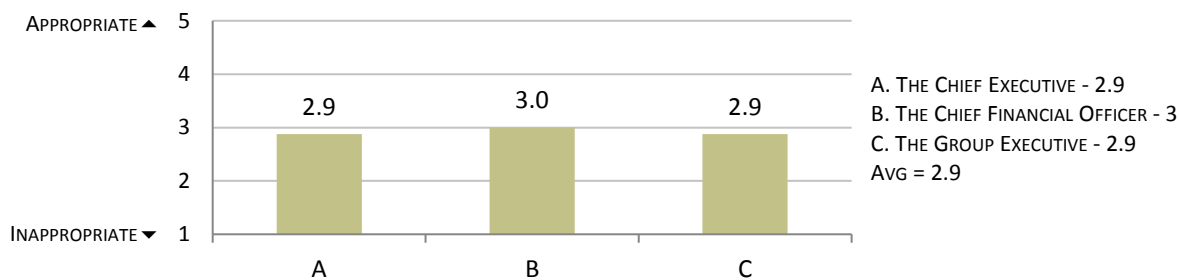
Mails was identified by a few respondents as a key area that ought to be strengthened, with one respondent suggesting that the company ought to have more Mails expertise at a senior executive level, and another of the opinion that the Mails team needed to benefit from greater support.

Further comments made in relation to positions that the company lacks or ought to be strengthened included:

- The company lacks a long term commercial Retail Director
- The Chief Financial Officer might be overstretched in his new role combining CFO and COO responsibilities; the transformation of the business is complex and a new Financial Controller is coming in to support the Chief Financial Officer, which will help, but if they prove unsuccessful in the role the Chief Financial Officer is somewhat exposed
- The appointment of a new commercial lead as soon as possible is important to boost the Post Office's 'salesmanship', as the company still seems to think it is the weaker party in many negotiations and does not play 'hard ball' enough; the Post Office needs a really tough negotiator
- The workload of the Head of IT is such that it is worth considering whether the job is not too big, and whether it should be divided and shared in some way
- [REDACTED] is now on / attending the Group Executive, which is deserved, but the business 'throws' difficult problem at him without giving him the resources to do the job; he needs a team
- There appears to be a large gap between the Group Executive and the next level, which is less evident to the Board; the key positions the company lacks or ought to be strengthened are mostly at the level below the Group Executive

The importance of the recently changed structure having time to embed was stressed. One respondent suggested that it was difficult to rate the structure since the Group Executive had just been revamped and the details of exact responsibilities had yet to be fully fleshed out, and another also concluded that it was too early to tell whether the new structure was appropriate.

Q30 How effective is the Board's oversight of succession plans for the following members of management?



The Board’s oversight of succession plans for the Chief Executive, the Chief Financial Officer and other members of the Group Executive received mediocre ratings overall. The oversight of succession plans for top management was said, by one respondent, to be led by the Nomination Committee.

The company was said, by one respondent, to have a number of key man dependencies and the respondent also felt that the gap between the Group Executive and the next level appeared to be too large to have any emergency / mid-term alternatives. Another respondent suggested that the company would be very exposed if the Chief Financial Officer left, and felt unsure who would replace him or even ‘hold the fort’ whilst a replacement was found, adding that this was not a question of ‘appropriateness’ but more a reflection of reality. The respondent added that the new Financial Controller could perhaps hold the fort, but this was uncertain at the moment given that the Board did not know the incumbent.

The respondent also suggested that the Nomination Committee ought to reflect on how long a Chief Executive should stay in place. The respondent stressed that they were not advocating the Chief Executive’s departure, but noted that she had been in post for almost five years, which might increase flight risk or ‘going stale’.

Priorities for Change

Q31 If there was one practice you could bring to the Post Office Board from another Board upon which you serve, or have served, what would it be?

The provision of short and clear Board papers was recommended by a few respondents, with more focused and briefer Board packs being identified as a practice that the Post Office Board would benefit from adopting.

Further suggestions as to practices from other Boards that the Post Office Board would benefit from adopting included:

- Having a greater focus on risk
- Providing external risks reporting format ('priority issues radar')
- Improving the preparation for the strategy day and the day / venue, using a big, light and airy room with plenty of room to move and review large scale presentations on walls, which bring debates 'to life'
- Improving the business review format, ensuring the finance report has a greater emphasis on performance, market and granular data
- Establishing an IT Transformation Committee as a dedicated unit to help the company through the next critical 18 month period
- Clarifying the key skills that each Board member brings to the table, and where others on the Board can rely on areas of expertise

One respondent added that they had already introduced some of the 'habits' they acquired from elsewhere.

Q32 In terms of improving the Board's performance, what would be your top priorities for the coming year?

Focusing on strategy was identified as a top priority for the Board by a number of respondents, with the importance of overseeing the Mails strategic plans and alternatives, and the FS strategy being stressed. One respondent felt that the strategy ought to be subject to greater scrutiny in combination with the funding trade-offs (not in isolation from funding), while another recommended inviting external guests who could provide an external perspective on the key strategic challenges facing the company, to stimulate the Board's discussion on key strategic matters.

In order to improve the performance of the Board, one respondent recommended having a greater focus on the top strategic priorities facing the company, which the respondent identified as the Royal Mail future 'or not', the IT transformation, and the reduction of fixed costs and the speed thereof.

Having a greater focus on the performance of the business was also prioritised by a few respondents, with it being suggested that the Board should have a greater focus on underlying commercial performance, and gain a greater understanding of day-to-day performance.

The importance of ensuring the Board has sufficient time for discussion was also emphasised by a few. Focusing on the important matters with time for discussion was prioritised, and one respondent recommended having more discussion time and less presentation.

Further identified priorities included:

- Keeping on top of discussions over the future of the Royal Mail and Bank of Ireland agreements
- Ensuring further progress on understanding and overseeing IT
- Making sure the company executes as well as possible on the funding effort behind the strategy
- Providing shorter and more focused papers
- Making sure the Executive socialise papers before the Board
- Gaining a greater insight into the business from the Chief Executive
- Focusing on operations, their standardisation and simplification for customers / PMs, and considering what the Board needs to see in order to track this
- Continuing to stretch and support a culture of risk taking / taking control, faster and simpler i.e. in relation to IR, the development of banking services, 'POCA', Royal Mail and Bank of Ireland
- Ensuring earlier sight and scrutiny of the budget for the year
- Focusing on the future, with regard to ID, FRES, enhanced customer service, and strategy day preparation
- Focusing on the external market
- Gaining a better understanding of how initiatives proposed by teams have been tested by the Group Executive and then sent back and refined
- Improving the content for the ARC
- Working as a team, with improved mutual respect

The importance of achieving better outcomes with the Government in the areas of pay and incentives for the executive team was also emphasised by one respondent.

Post Office

UPWARD REVIEW OF THE BOARD 2016

Date: January 3rd 2017

Strictly confidential



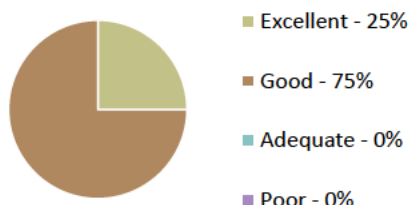
LINTSTOCK

Upward Review of the Board 2016

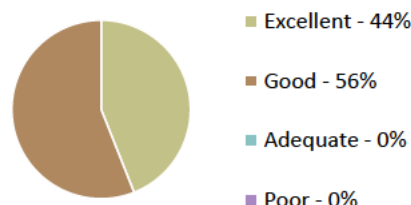
Board Composition

Q1 How appropriate is the Board's composition?

Upward Review of the Board



Board Review



The composition of the Board was rated highly, and was seen to benefit from a strong cross-section of industry and business experience. One respondent suggested that the Board had undergone considerable change in 2016, and appeared to have bedded down well, and the respondent stressed the importance of this continuing in 2017 and evolving as long-standing Non-Executives potentially retired.

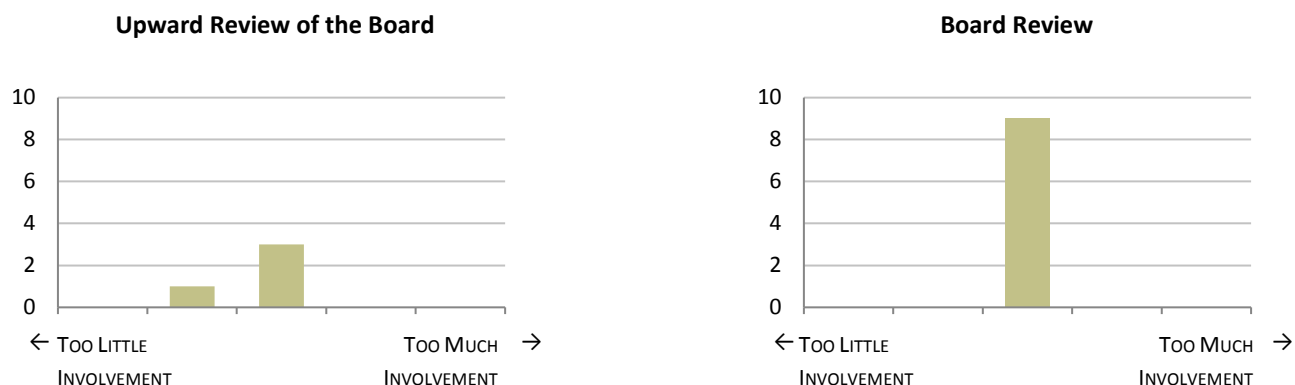
The following **suggestions were made as to key changes that should be made to the profile of the Board over the next 3 years to match the company's strategic goals:**

- The IT capability ought to increase
- The Board would benefit from more convenience retail experience, including over the next 12 or so months
- As the business develops along the B2C and 'B2B2C' BU models, then financial services, retail / franchise, technology and logistics experience will be important
- It is important to achieve a balance of the depth of experience; a number of the current Board members have more limited Board experience
- The level of Mails and FS knowledge ought to be maintained

As the Board evolves and has greater confidence in management, one respondent suggested that the Board ought to be able to take a more strategic and risk based approach to its review and governance of the business.

Relationship between the Board and Management

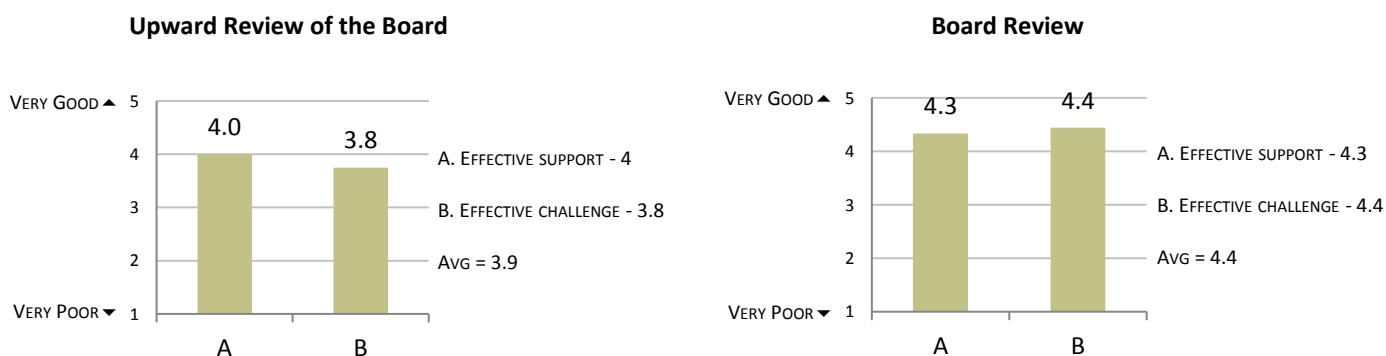
Q2 How would you rate the level of involvement of Non-Executives in the affairs of the company outside Board meetings?



The level of Non-Executive involvement in the affairs of the company outside Board meetings was seen as appropriate by the majority. One respondent concluded that the Non-Executives were available when needed and requested, but were not over-involved otherwise.

Another respondent found it difficult to spend time with the ARC Chairman outside of the meetings, making it difficult to ensure that the meetings and papers were delivering what was required, and placing too much emphasis on the delivery of ‘news’ into the Committee meetings rather than supporting the Committee’s oversight role.

Q3 How would you rate the Board's engagement with management in providing:



The Board’s engagement with management in providing effective support and challenge was positively rated overall.

One respondent, who felt that there was little engagement, which made matters difficult, stated that there were five 2.5 hour ARC meetings per year so achieving the right level of support, guidance, challenge and engagement was challenging.

Q4 Please comment if you have any recommendations for improving the relationship and interaction between the Board and management.

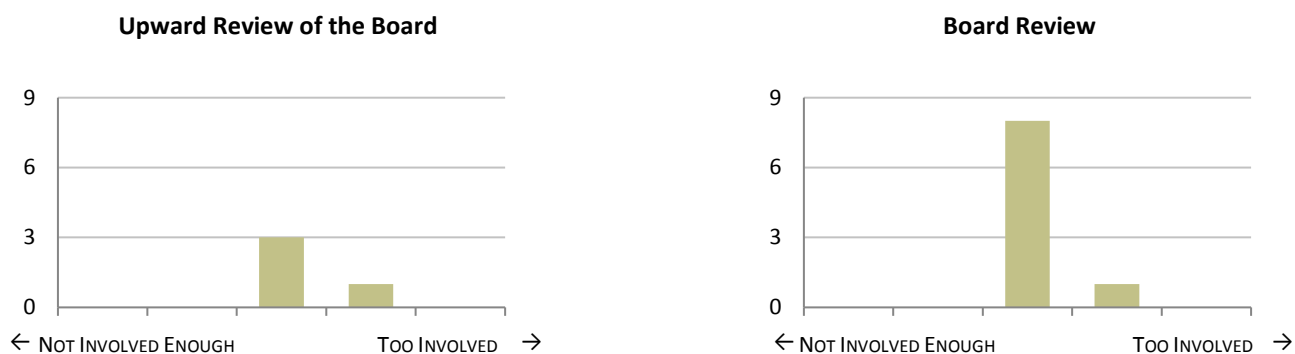
With regard to improving the relationship and interaction between the Board and management, **the importance of the Non-Executives devoting time to understanding the business was emphasised** by a few respondents, with one suggesting that some of the newer Non-Executives in particular should spend a little more time understanding the business, markets and customers. Another respondent felt that it was not so much a case of ‘improving’ the relationship, as enabling sufficient time for the Board members to understand the business, its challenges, operations and level of development, so that the challenge could be proportional to the stage of development.

It was also suggested by one respondent that having a Group Executive and Board dinner once per year would be beneficial.

Another respondent, who commented favourably on the support and challenge, suggested that the increased knowledge and awareness of financial services issues and risks had been very helpful, enabling more effective challenge and thence support.

Board Oversight

Q5 How would you rate the involvement of the Board in determining the strategic direction of the company?



The involvement of the Board in determining the strategic direction of the company was generally seen as appropriate. There was said to have been a significant focus on the strategy during 2016 due, in part, to the need to develop the three year funding plan with the Government, and one respondent suggested that the company had a clear strategy and funding ‘ask’.

Another respondent, noting that the focus to date had inevitably been on individual business strategies, suggested that it would be very helpful for the Board to be considering a wider perspective on the future of the Post Office as an enterprise.

Q6 How effective has the Board been in testing and developing the company's strategy?

Upward Review of the Board



Board Review

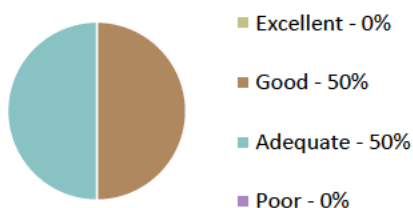


The Board’s testing and development of the company’s strategy was rated highly, and the Board was seen to have played a positive role in this regard, providing good challenge and support.

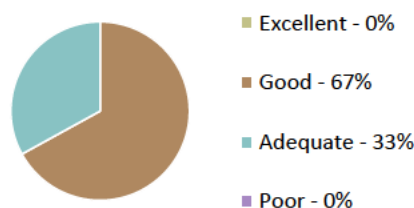
One respondent identified the challenge for the Board as understanding what was required to deliver the strategy, how well structured and resourced the company was to deliver this, and where the risks are around that strategy.

Q7 How good is the Board at considering risk when making strategic and operational decisions?

Upward Review of the Board



Board Review



The effectiveness with which the Board considers risk when making strategic and operational decisions was rated as at least adequate.

The challenge was identified, by one respondent, as ensuring that the Board identifies and focuses on the key risks for the business; the respondent felt that at times the focus was too broad and detailed.

Another respondent felt that the effectiveness with which the Board considers risk when making strategic and operational decisions, which the respondent rated as ‘adequate’, reflected the lack of maturity of the business in terms of the way in which strategic and operational risk was considered.

Q8 What, if anything, do you feel the Board spends too much / too little time focusing on?

The focus of the Board was commented on favourably, with one respondent suggesting that the Board's focus was about right, namely on Mails, FS and network.

Suggestions as to areas on which the Board spends too little time focusing on included:

- Customers and competitors
- The capacity of the organisation to handle the level of change required in a very short timeframe
- The Board should consider the wider strategic ambition of Post Office as an enterprise
- The increasing focus on risk is critical and overdue

One respondent added that 2016 was probably not a good year to compare performance against, with a new Chairman and two new independent Directors, against a background of significant change and strategy development. The respondent hoped that 2017 would focus on the delivery of the strategy, and the need to focus on operational improvements.

Priorities for Change

Q9 In terms of improving the Board's performance, what would be your top priorities for the coming year?

The top priorities for the Board over the coming year were identified as:

i. **Focusing on risk** (3 respondents)

Ensuring that the approach to risk is deepened and embedded in wider decision making was prioritised, and one respondent suggested developing an effective risk appetite statement that the Executive could use in making decisions and refer to in Board papers. Another respondent recommended having a greater focus on infrastructure risk in particular, the consequences of historic underinvestment and the challenges of trying to address these in a severely cost-constrained environment.

ii. **Ensuring balanced contribution** (2 respondents)

It was suggested that having more contribution from all of the Non-Executives, to bring more balance to discussions, would be beneficial, and the importance of there being more balance between the Chairman and the Non-Executives in particular was stressed by one respondent.

Further identified priorities included:

- Ensuring that the big strategic plays and the transformation of the business are kept firmly in focus
- Focusing on the long-term ambition for the Post Office
- Increasing the focus on what is required to 'unblock' growth in target areas (particularly in FS and Mails)
- Gaining a better understanding of the business
- Spending time outside meetings to get to know the Executive
- Being clear about future Board agendas
- Continuing to support and challenge

Board Effectiveness Review

Author: Alwen Lyons

Sponsor: Ken McCall

Meeting date: 31 January 2017

Executive Summary

Context

In December the Board completed an external Board Effectiveness Review (BER) facilitated by Lintstock Ltd. The results of the BER have been published in the Boardpad reading room in the file 'Board Effectiveness Review January 2017'.

Ken McCall, Senior Independent Director, working with the Company Secretary, has analysed the feedback and proposed 4 actions in response to the review.

Questions addressed in this report

1. What are the main themes of the BER?
2. What actions should the Board take in response to BER?

Conclusion

1. The appendix of this report highlights the main themes of the BER feedback.
2. From the analysis undertaken 4 actions are proposed for debate at the Board.
 - a) **Provide more focus on performance results and future actions.**
Business Unit Chief Execs to provide quarterly updates to the Board.
 - b) **Increase the Board's understanding of the Mails Market.**
Provide a training session on the Mails Market, possibly at the June away day.
 - c) **Enable more support for the Board to give assurance regarding the IT strategy decisions and IT transformation tracking.**
Provide an independent advisor to the Board to review the IT strategy and give quarterly/ six monthly assurance.
 - d) **ARC to focus more on reviewing the Internal Audit work.**
Change the ARC agenda to ensure an appropriate time and focus is spent on Internal Audit work.

Input Sought

1. The Board is asked to consider the BER reports and debate and agree the actions to take forward.

Appendix

1. Linstock Report Summary

A Board Review		
Strengths:	To work on:	Questions:
(i) Board composition rated highly for individual relationships	(i) Does the Board understand the Sub Postmasters and POAC relationships mixed / NEDs attend some meetings	(i) Greater IT expertise or not?
(ii) Annual work cycle and agenda rated highly	(ii) Succession planning and strengthen mails knowledge and understanding	(ii) Should the Board better understand the performance of POL vs competitors?
(iii) Performance of Committees rated positively	(iii) Board Packs – length and use of summaries – mixed views	
(iv) Board testing of strategy rated highly overall	(iv) Top 3/4 strategic challenges <ul style="list-style-type: none"> - RM and future - Bol agreement - IT Transformation - Cost right sizing 	
(v) All Board members agreed the top 3/4 strategic challenges <ul style="list-style-type: none"> - RM and future - Bol agreement - IT Transformation - Cost right sizing 	(v) Level of detail provided in Risk and Reward in papers submitted was viewed as mediocre	
B Audit, Risk and Compliance		
Strengths:	To work on:	Questions:
(i) Effectiveness and use of the meeting time	(i) ‘Mound’ of papers need more thinking time	(i) Less paper on project structures and more reporting on results and improvement actions
(ii) Composition of ARC	(ii) Lacked pensions specific advice – but VH mitigated	(ii) External speakers / invites on IT transformation Cyber Security also relevant to the Board
(iii) Relationship ARC / CFO and Head of Internal Audit rated highly	(iii) FS changing regulatory landscape and how this impacts the organisation	(iii) Does the ARC require greater focus on the Transformation programme
(iv) Risk management progressed significantly	(iv) ARC performance on reviewing / assessing work of Internal Audit rated least adequate	

C Nomination Committee Review		
Strengths:	To work on:	Questions:
(i) Composition and use of time was rated highly	(i) Succession planning of the 'Top Team'	(i) Can we attract the right talent given the remuneration challenges?
(ii) Process of Board appointments		
D Remuneration Committee Review		
Strengths:	To work on:	Questions:
(i) Composition and use of time	(i) Effectiveness of STIP and LTIP with aligning strategy of business received average ratings	(i) Can we work with UKGI more effectively, can they advise and support?
(ii) Information provided [REDACTED] also highly rated	(ii) Relationships with other UKGI companies for best practice / learning and leverage	(ii) Can the Committee convince the shareholder of a more "hands off" approach?
(iii) Understanding of regulatory / environment shareholder		
E Upward Review of Board by the Group Executive		
Strengths:	To work on:	Questions:
(i) Composition of Board	(i) Take a more strategic and risk based approach to review and governance	(i) IT capability at Board level?
(ii) Engagement with Management, support and challenge	(ii) Non Execs to spend some more time to better understand the business	(ii) Should the Board consider a wider perspective on the future of the Post Office as an enterprise?
(iii) Board testing and development of strategy rated highly	(iii) Top priorities to focus on risk and balanced contribution of all Non Execs	(iii) Can the organisation handle this level of change in a short time frame?

Board and Committee Evaluations 2018

Author: Veronica Branton/ Jane MacLeod
Sponsor: Ken McCall, Senior Independent Director

Meeting date: 29 January 2019

Executive Summary

Context

Post Office Limited is not required to adhere to the UK Corporate Governance Code as it is not a listed company; however, in response to [REDACTED] letter to the Chairman of 20 December 2017, which stated that BEIS expected Post Office to “lead by example with regard to good corporate governance”, Post Office regularly reviews the requirements of the Code, changes to it and whether its principles and provisions should be adopted. Principle 21 of the Code recommends that Boards undertake a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors.

A review was not undertaken in 2017 due to imminent changes to the Board²; however, feedback has been received from Richard Callard and Virginia Holmes who stepped down from the Board in March 2018. A summary of the actions identified in the 2016 Board Evaluation and the follow-up to these is set out in Appendix 3 for information.

The Senior Independent Director led the 2018 Board Evaluation which was conducted by questionnaire in December 2018. A summary of responses to the questions relating to the Board evaluation is set out in Appendix 1, and a summary of the responses to the Committee evaluations are set out in Appendix 2.

Questions addressed in this report

1. What are the themes from the 2018 Board and Committee evaluations and what potential actions arise from these?
2. What actions are recommended to the Board for approval?

Input Sought

- Consider and discuss the Board evaluation report and approve the recommended actions, subject to any changes or additions required.
- Note the Committee evaluation scores.

Input Received

- The Nominations Committee, Non-Executive Directors and UKGI were invited to comment on the draft Board and Committee evaluation questionnaires.

² Richard Callard and Virginia Holmes stepped down in March 2018 and Tom Cooper and Shirine Khoury-Haq joined the Board in March 2018 and May 2018 respectively.

Report

Board evaluation timetable

1. The Board evaluation was conducted during December 2018 through an online questionnaire. Respondents were requested to score answers numerically (1-5) and opportunity was provided in each section for free text comments. All Board members and the Company Secretary were invited to, and did, participate.
2. The questionnaire included questions relating to both the Board and each Committee. The questions, average scores and a summary of findings for each of the Board related questions is set out in Appendix 1.
3. The questions, scores and findings for each Committee are set out in Appendix 2. The full findings and comments will be shared with the Chair of each Committee, and each committee will be asked to consider its report and potential actions at its next scheduled meeting, and these will be reported back to the March 2019 Board.
4. The Senior Independent Director will facilitate a discussion of the Chairman's performance with fellow Non-Executive Directors after the Board meeting on 29 January 2019.
5. An update will be provided to the Board in March of the proposed actions to address the findings from these evaluations.

Findings

6. All questions achieved an average score higher than 3 ('good/at the required standard')³. The highest scoring questions were

No	Question	Average Score
17	Collegiate nature of EDs	4.44
1	Composition of the Board	4.33
2 (i)	Understanding of FS and Insurance	4.33
2(vi)	Understanding of Banking Framework	4.22

The lowest scoring questions were:

No	Question	Average Score
12	To what extent does the Board review past decisions?	3.00
27(v)	Consideration of suppliers as stakeholders	3.11
2(iii)	Understanding of Telecoms	3.22
2(vii)	Understanding of Digital Identity	3.33
9	Understanding of Competitors	3.33

³ Key:

5 = Excellent	4 = Very good	3 = good/ at required standard	2 = Requires development	1 = Requires significant development
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7. There were no areas with an average score of less than 3 'good/ at the required standard'. Board composition and Board relationships are rated highly and feedback overall is positive across all areas.

Recommendations

8. Taking into account those questions that scored lowest and the areas for further improvement suggested through the comments section, the following actions are proposed:
 - a) *Further Board Education* - Areas identified include (i) franchising, (ii) retail formats and operating models; (iii) regular updates from thought leaders on technological developments; and (iv) postmaster needs.
 - b) *Management Updates* - There was a request for (i) the CIO and HRD to provide more frequent updates; (ii) updates on succession and talent management; and (iii) regular updates on the material strategic initiatives and how financial and delivery risks are being managed.
 - c) *Papers* - to include more emphasis on (i) competitor landscape; (ii) how proposed strategic initiatives will appropriately address strategic pressures; (iii) financial impact and performance of proposals, and the causes of trading and other movements; (iv) more discussion on alternative options and the factors that cause the recommended option to be preferred; and (v) enhanced data on customer needs to support options relating to new distribution channels and product offerings.
 - d) *Meetings* - a request for NED only meetings from time to time; and to find more time for updates from committees.
 - e) *Lessons learned* - Board members are encouraged to identify decisions to be reviewed. There have been reviews undertaken historically on certain decisions.

Proposed Actions

9. The Company Secretary will review the Board forward agenda to add in topics and sessions on which the Board would like greater focus as set out in paragraph 8(a) and (b), and will report back to the March Board meeting as to how this will be facilitated.
10. Following the move to Diligent, board paper templates are currently being reviewed and the Company Secretary will ensure that the items identified in Paragraph 8(c) are flagged in the templates, and GE sponsors will be required to confirm that they have reviewed draft board papers to ensure that papers include appropriate discussion on these factors. The Board is requested to provide feedback during the year on the extent to which the quality of the papers is improving.
11. A NED only meeting is scheduled for Monday 28 January and the Company Secretary will work with the Chairman to schedule a NED only meeting at least twice a year.
12. The Board is requested to consider from time to time whether particular decisions and transactions should be reviewed by the Board.

Key:

5 = Excellent	4 = Very good	3 = good/ at required standard	2 = Requires development	1 = Requires significant development
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Appendix 1 2018 Board Evaluation

A.	Skills, experience, diversity, knowledge	
1.	How appropriate is the composition of the Board for the requirements of the business?	4.33
2.	How would you rate the Board's understanding of the following areas of the Business and areas of business transformation:	
i	Retail	4.00
ii	Financial Services and Insurance	4.33
iii	Telecoms	3.22
iv	IT	3.44
v	Risk	3.88
vi	Banking Framework	4.22
vii	Digital Identity	3.33
	Average for section =	3.84

All respondents scored the composition of the Board as 'excellent' or 'very good', and the Board's understanding of all areas identified in the questionnaire were considered by the majority of the Board to be 'good' or 'very good'. It was noted that the Board's ability to challenge technical innovations is improving.

Franchising and further briefings on the future retail strategy so as to be able to provide sufficient challenge and stimulus on new formats and operating model, were identified as areas where further briefings would be helpful. It was also suggested that the Board may benefit from more external engagement with thought leaders in relation to technological developments.

B.	Leadership, ways of working, time management	
3.	How would you assess the Chairman's encouragement of debate within the Board, including ensuring that all directors are able to contribute to the discussion?	3.50
4.	How effective is the Board at focussing on the right issues (e.g. gaining an appropriate level of assurance on how strategy is being implemented and the business is being run, setting strategy, providing support and challenge to management).	3.66
5.	How effective are the relationships between:	
	Board Members	4.22
	Non-Executive Board Members and Management (in providing both support and challenge)	4.22
6.	Are issues brought to the Board at an appropriate time?	Yes = 7, No = 2
7.	Are there any issues or topics <i>that are not discussed</i> that should be considered at the Board?	Yes = 3, No = 6
	Average for section =	3.9

Overall the responses conclude:

Key:

5 = Excellent	4 = Very good	3 = good/ at required standard	2 = Requires development	1 = Requires significant development
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- there is generally good debate at the Board to which directors are able to contribute, although time constraints were noted
- the Board is focussing on the right issues; and
- relationships between board members and with management are effective.

There was a general recognition that the Board has a very full agenda and that the amount of business to be addressed (both at the Board and in Committees) means that there is pressure on the amount of time available to discuss key topics.

There was a request for the CIO and HRD to provide more frequent updates, and an update on succession and talent management was requested.

C.	Decision-making and Risk	
8.	How would you assess the Board's consideration of risk when taking strategic and operational decisions?	3.77
9.	How strong is the Board's understanding of the business' competitors	3.33
10.	How strong is the Board's understanding of the business' performance drivers?	3.88
11.	How effective is the <u>process</u> of board decision making?	3.88
12.	To what extent does the Board review past decisions?	3.00
13.	How seriously does the Board take the development of individual directors and the Board as a whole, and where it needs to improve?	3.50
	Average for section =	3.56

Responses indicated that decision making has improved over the last few years, the agenda focusses on the key points, and there is generally good debate.

Suggestions made include:

- further emphasis on understanding the competitor landscape, and greater clarity in papers on how proposed strategic initiatives will appropriately address strategic pressures;
- regular updates on the material strategic initiatives and how financial and delivery risks are being managed.

D.	Specific Questions for NEDs, Executive Directors and UKGI Representative	
14.	The quality and value of NEDs' contributions at board meetings?	4.00
15.	To what extent do NEDs get involved in issues outside the Boardroom?	4.00
16.	How effective are the EDs in assisting the Board's understanding of the business issues?	3.87
17.	To what extent do the EDs act in a collegiate manner with the overall interests of the business in mind?	4.44
18.	The level of insight provided by the UKGI representative into the strategic direction that the Shareholder aspires to.	3.87
19.	The level of engagement and contribution made by the UKGI representative.	4.00
	Average for section =	4.03

Key:

5 = Excellent	4 = Very good	3 = good/ at required standard	2 = Requires development	1 = Requires significant development
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Responses indicate that:

- There is strong engagement from board members with no lack of desire for NEDs to share their expertise and experience. NEDs make 'very good' contributions both in the Board and with management outside the Boardroom;
- The executive team are effective and act collegiately in the interest of the business.
- UKGI engagement is more active in terms of content, time given and expertise, and are appropriately challenging.

E.	Information and Support	
20.	How would you rate the management information received by the Board and its timeliness (i.e. is it the right information at the right time to provide you with the assurance you need and the understanding of the business you need)?	3.55
21.	How would you rate the quality of papers and presentations received by the Board?	3.55
22.	How effective are the Board Committees at communicating decisions and outcomes to the full Board?	3.66
23.	How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required?)	4.12
24.	Does the Board feel that the frequency and length of meetings are appropriate?	Yes = 9
25.	How effective are the communications between the Board and the management between formal meetings?	4.00
26.	Does the Board have sufficient time in private (either formally or informally) to discuss matters of concern?	Yes = 7, No = 2
Average for section =		3.77

The responses to the questionnaire indicate that:

- The Board receives appropriate information in sufficient time, and that the quality of the papers is improving
- Communication between meetings and between Committees and the Board is appropriate.

Suggestions received from Board members included:

- a request for NED only meetings from time to time,
- that Board papers could improve the quality of commentary on the financial impact and performance of proposals, and the causes of trading and other movements
- more time being allocated in Board meetings to updates from committees
- more discussion on alternative options and the factors that cause the recommended option to be preferred.

Key:

5 = Excellent	4 = Very good	3 = good/ at required standard	2 = Requires development	1 = Requires significant development
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F.	Stakeholder engagement	
27.	How would you assess the Board's approach to considering the following stakeholder needs/ views when taking decisions:	
i.	Customers	3.77
ii.	Postmasters/agents and clients	3.66
iii.	Special Shareholder	4.00
iv	Employees	4.00
v.	Suppliers	3.11
vi.	Regulators	3.75
	Average for section =	3.71

The questionnaire results indicate that the Board appropriately addresses the needs and views of all stakeholders, although suppliers were the group that appears to receive the least focus.

Suggestions made by respondents include:

- Enhanced data driven understanding of customer needs when considering options relating to new distribution channels and product offerings
- Better understanding of postmaster needs.

Key:

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APPENDIX 2 2018 COMMITTEE EVALUATIONS

Audit, Risk and Compliance Committee

Summary

All scores for the Audit, Risk and Compliance Committee were above 3 ("good/ at required standard) and the sections on "Skills, experience, diversity, knowledge" and on "Leadership, ways of working, time management" averaged above 4 ("very good").

Time pressures for the ARC, and, in light of this, the need to focus the Committee's time on material risks, require that often complex and voluminous information needs to be presented clearly and succinctly. This is an agreed focus for development.

ARC Evaluation Questionnaire 2018

Skills, experience, diversity, knowledge		
1.	How appropriate is the composition of the Committee for the requirements of the business?	3.87
2.	How would you rate the Committee's understanding of the following areas of the Business:	
i.	Financial reporting and management	4.25
ii.	Risk	4.00
iii.	Compliance	4.12
iv.	Internal Audit	4.00
Leadership, ways of working, time management		
3.	How would you assess the Chair's encouragement of debate within the Committee, including ensuring that all members are able to contribute to the discussion?	4.28
4.	How effective is the Committee at focussing on the right issues?	4.00
5.	How effective is the Committee at providing both challenge and support to management?	4.12
6.	Are the frequency and length of ARC meetings appropriate?	Yes = 6, No = 2
Information and Support		
7.	How effective is the Committee at testing the information provided by its external advisers?	3.75
8.	How would you rate the quality of papers and presentations received by the Committee?	3.25
9.	How comfortable are you that compliance with the regulatory landscape is adequately managed and reported?	3.62
10.	How would you rate the access you have to any additional information and support you need to fulfill the requirements of your role (i.e. from management, secretariat or from external advisers, where required)?	4.00

Key:

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

Summary

The average score for each section (Skill, experience, diversity, knowledge; Leadership, ways of working, time management; and, Information and support) was above 4 ("very good"). The only question scoring below 4 was Q2 ii. on the structure of staff remuneration packages and approvals process for these (PO Limited and PO Insurance) at 3.83 so this may be an area where more information is required by the Committee.

Remuneration Evaluation Questionnaire

	Skills, experience, diversity, knowledge	
1.	How appropriate is the composition of the Committee for the requirements of the business?	4.33
2.	How would you assess the Committee's knowledge of the following issues:	
i.	Structure of senior executive remuneration packages and approvals process for these (PO Limited and PO Insurance)	4.16
ii.	Structure of staff remuneration packages and approvals process for these (PO Limited and PO Insurance).	3.83
	Leadership, ways of working, time management	
3.	How would you assess the Chair's encouragement of debate within the Committee, including ensuring that all members are able to contribute to the discussion?	4.33
4.	How effective is the Committee at focussing on the right issues?	4.33
5.	How effective is the Committee at providing both challenge and support to management?	4.20
	Information and Support	
6.	Are the frequency and length of Remuneration Committee meetings appropriate?	Yes = 6, No = 0
7.	How effective is the Committee at testing the information provided by its external advisers?	4.00
8.	How would you rate the quality of papers and presentations received by the Committee?	4.20
9.	How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required)?	4.00

Key:

5 = Excellent	4 = Very good	3 = good/ at required standard	2 = Requires development	1 = Requires significant development
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Nominations Committee Evaluation Report 2018

Summary

The scores were positive with only three rating below a 4 (very good). These relate to succession planning and testing information provided by external advisers⁴ which may be areas for greater committee focus.

Nominations Committee Evaluation Questionnaire 2018

	Question	Ave
	Skills, experience, diversity, knowledge	
1.	How appropriate is the composition of the Committee for the requirements of the business?	4.00
2.	How would you rate the Committee's knowledge of the following issues:	
	Succession planning	3.75
	Board recruitment and appointment processes (including PO Insurance)	4.20
	Corporate governance requirements.	4.20

	Leadership, ways of working, time management	
3.	How would you assess the Chair's encouragement of debate within the Committee, including ensuring that all members are able to contribute to the discussion?	4.20
4.	How effective is the Committee at focussing on the right issues?	4.40
5.	How effective is the Committee at providing both challenge and support to management?	4.20
6.	Are the frequency and length of Nominations Committee meetings appropriate?	Yes = 5

	Information and Support	
7.	How effective is the Committee at testing the information provided by its external advisers?	3.66
8.	How would you rate the quality of papers and presentations received by the Committee?	4.00
9.	How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required?).	4.25
10.	How effectively does the Nominations Committee assess the quality of the management team below Board level and manage succession planning?	3.00

⁴ This will typically relate to Board level or Group Executive (GE) appointments where search agencies provide candidate reports.

Key:

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

Summary of findings from the 2016 Lintstock Board evaluation and follow up actions

1. The last Board evaluation was facilitated by Lintstock in 2016. Four key actions were identified:
 - Provide more focus on performance results and future actions
 - Increase the Board's understanding of the Mails Market
 - ARC to focus more on reviewing the Internal Audit work
 - Enable more support for the Board to give assurance regarding the IT strategy decisions and IT transformation tracking.

2. Steps have been taken to address these issues, in particular:
 - increasing Board focus on the performance of the commercial business units for FS&T and Retail which were set up in December 2016. Quarterly performance reporting from the CEOs of the Business Units was introduced and the strategy days in June 2017 provided the opportunity for deep dives on the units' strategic priorities. By June 2018, when the next strategy sessions took place, Customer Hub had been launched and the planned acquisition of Payzone was entering the Commission and Market Authorities' process, with the acquisition subsequently completed in October 2018. The June 2018 Strategy sessions set out the different formats proposed for retail to improve the proposition for customers and retailers. An update was provided at the November 2018 Board meeting and sign-off of the strategy will be sought in March 2019.
 - A number of Board discussions on mails strategy have taken place. In addition, an independent assurance of our mails strategy and approach to the Mid-Term review was commissioned and ██████████ from Accenture presented on this at the Board meeting November 2017. The conclusion of the review was that analysis undertaken by the Mails team supported the negotiation of a new long term contract and the strategy remained sound.
 - The ARC now approves the internal audit plan annually and discusses progress against the plan at each meeting, as well as receiving internal audit reports, change assurance reports and lessons learnt reports covered by the plan. The Chair meets separately with the Head of Internal Audit at least annually.
 - An independent review of IT strategy took place in September 2017; this was presented to the Board in November 2017 with the actions proposed in response to the recommendations. The Board received updates on the implementation of the IT Strategy in September 2017 (prior to the receipt of the independent assurance report) and in June 2018, as well as updates on Project Everest in May and July 2018. The need to understand and receive assurance on IT strategy remains a theme for the Board in its 2018 evaluation.



POST OFFICE LIMITED BOARD REPORT

Title:	Board and Committee Evaluations 2019/20	Meeting Date:	8 th April 2020
Author:	Veronica Branton, Company Secretary	Sponsor:	Ken McCall, Senior Independent Director

Input Sought

The Board is asked to:

- **NOTE** and **DISCUSS** the Board and Committee evaluations for 2019/20 (**Appendix 1**). The Committees will consider their reports and proposed actions at their next scheduled meetings
- **APPROVE** the recommended actions to address points raised and areas which may require development.

Points raised/ areas for development:

- More Board time should be spent on the cultural changes required for the business to deliver the post GLO agenda and the Purpose, Strategy and Growth (PSG) outputs
- Board papers and discussion should focus more on customer and market views and the competitor landscape; more testing of change spend and the delivery of these benefits; greater inclusion of external perspectives and the Postmaster voice
- The lack of deep technical expertise on the Board to challenge the IT Strategy was raised, with the suggestion that we might consider having an IT advisory committee or some independent expertise
- Q10: Review of past decisions received an average score of 2.6
- Q11: How seriously the Board takes the development of individual directors and the Board as a whole received an average score of 2.8
- More non-executive discussion time was suggested.

Recommendations:

- Include culture as part of the post GLO operations report to each Board meeting and include within the discussions at the Board Strategy days.
- Provide a bi-annual expert view to the Board on the customer/ market/ competitor landscape which should inform business priorities.
- Change spend: request that the executive provide a paper which shows change spend versus plan, the return on investment and how the projected benefits have flowed through to the P&L.
- External perspective and the postmaster voice: **A.** Introduce external speaker/ guest slots at Board dinners and/ or at Board, with Board Directors invited to provide suggestions. **B.**

Inclusion of the postmaster voice to be considered as part of the wider discussion on communications and engagement post GLO, including the role of the National Federation of Sub postmasters (NFSP).

- v. Select a past decision for review at the May or July 2020 Board meeting and plot reviews into the Board agenda periodically.
- vi. Board training and development: **A.** CoSec to provide details of PwC, legal firm and UKGI/ BEIS briefing sessions on topical Board issues (developments in governance, law, accounting, IT etc.)¹ **B.** The executive to recommend briefing sessions where there is a Post Office angle or implication for an issue, such as cyber security.
- vii. Increase the number of NED sessions from two to four a year and schedule in advance of every other Board meeting.

Previous Governance Oversight

The Nominations Committee approved the questionnaires at its meeting on 11th February 2020; these reflected suggestions made by the Committee Chairs.

Executive Summary

The UK Corporate Governance Code and the Corporate Governance Code for Central Government Departments¹ both stipulate that there should be an annual evaluation of the Board and its Committees which should be externally facilitated at least once every third year.

The Nominations Committee agreed at its meeting on 23rd September 2019 that the externally facilitated evaluation should be deferred until December 2020 and an internally facilitated evaluation run in March 2020. This was to reflect the changes in the Board and the wish for new directors to have attended a number of meetings before being asked to comment on their operation.

The Board questionnaire mirrored last year's to allow comparison across years but with additions to reflect areas of particular focus for the organisation (e.g. the Purpose, Strategy and Growth work) and in corporate governance (e.g. culture and diversity).

The Board Directors and Owen Woodley, Chief Commercial Officer, and Ben Foat, General Counsel, who are regular attendees at Board, were invited to participate in the Board Evaluation and all did. The questions, average scores and a summary of the findings are at Appendix 2. The Committee questionnaires also largely mirror last year's.

Questions addressed

1. How have we implemented the actions from last year's Board evaluation?
2. What are the findings from the Board Evaluation 2019/20?
3. How do last year's responses and this year's compare?

Report

4. **Actions from the Board Evaluation 2018/19**

The actions from the Board Evaluation 2018/19 were:

¹ We have contacted PwC and the firms signed up to our legal framework and a number have confirmed that our directors are able to attend their briefing sessions as part of the "value add" from the contracts. UKGI/ BEIS also notify us about briefing sessions for NEDs.

- a) to add in agenda items for topics and areas on which the Board wanted greater focus: franchising, retail formats and operating models, updates from thought leaders on technological developments, postmaster needs, updates from the CIO and HRD, succession and talent management, updates on material strategic initiatives and how financial and delivery risks were being managed.

The Board had discussions on franchising, retail format and operating models as part of the agents' remuneration discussions in the summer and as part of the Purpose, Strategy and Growth (PSG) work in the autumn. The PSG work included McKinsey's analysis of our systems and capabilities in IT and digital but there have not been separate presentations from thought leaders on technological developments. The CIO changed during the year and IT Strategy has not featured strongly beyond the decision to defer and then re-accelerate the Belfast Data Centre Exit Plan. The HRD changed during the year but the new Chief People Officer is reporting back on the key HR issues at each Remuneration Committee meeting. A session on succession planning was held in April 2019 and a further session is proposed later in 2020. Postmaster needs have been a central focus through the GLO, agent remuneration and PSG discussions. More detail on material strategic initiatives and the financial and delivery risks have been included in the quarterly change report to Board; however, it is clear from the 2019/20 evaluation that more focus is still sought in this area and that more external perspectives and briefings would be welcomed.

- b) to drive more focus in Board papers on the competitor landscape, how strategic initiatives address strategic pressures, the financial impact and performance of proposals, the causes of trading and other movements, more discussion on alternative options and the factors that caused the recommended option to be preferred, enhanced data on customer needs to support options relating to new distribution channels and product offerings.

Board papers are reviewed at GE meetings. Guidance was produced to accompany the new Board paper template and highlights the need to link proposals back to strategy, consider the financial and legal implications, risks and mitigations and reflect other options considered. A section on stakeholder implications is included in the decision template. The PSG discussions and work have reinforced the drive to focus on the core with fewer distractions, for evidence based decisions and for external perspective. It is clear from the Board Evaluation for 2019/20 that further focus in these areas is still needed.

- c) to hold at least two NED only meetings. *Held on 28 January and 27 November 2019.*
- d) for the Board to consider from time to time whether it wishes to review any of its decisions. *No dedicated retrospective reviews of decisions have taken place but the Board asked for additional information and analysis in a number of instances, including on agents' remuneration, the change in scope of the legal entity optimisation project, the Belfast Data Centre Exit Plan, the Payzone transition costs, Telecoms, the Global Payments Agreement.*

5. Findings 2019/20

All sections within the questionnaire² achieved an average score higher than 3 ('good/at the required standard') but a number of individual questions had an average score below this (2 = "requires development")³. The highest scoring questions were:

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

Q27. iii.	How would you assess the Board's approach to considering the following stakeholder needs/ views when taking decisions: Special Shareholder?	4.3
Q5. A.	How effective are the relationships between Board Members?	4.1
Q12.	The quality and value of NEDs' contributions at board meetings.	
Q21.	How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required?)	
Q2. i viii	How would you rate the Board's understanding of the following areas of the Business and areas of business transformation: - Retail - Compliance	4.0
Q.3	How would you assess the Chairman's encouragement of debate within the Board, including ensuring that all directors are able to contribute to the discussion?	
Q14.	How effective are the EDs in assisting the Board's understanding of the business issues?	
Q15.	To what extent do the EDs act in a collegiate manner with the overall interests of the business in mind?	
Q25.	How effective are the communications between the Board and the management between formal meetings?	

The lowest scoring questions were:

Q10.	To what extent does the Board review past decisions?	2.6
Q7.	How strong is the Board's understanding of the business' competitors?	2.7
Q11.	How seriously does the Board take the development of individual directors and the Board as a whole, and where it needs to improve?	2.8
Q27. v.	How would you assess the Board's approach to considering the following stakeholder needs/ views when taking decisions: Suppliers	2.8
Q27. vii.	Digital Identity	3.1
Q18.	How would you rate the management information received by the Board and its timeliness (i.e. is it the right information at the right time to provide you with the assurance you need and the understanding of the business you need)?	3.1
Q27. i.	Customers	3.1

The comments support the direction of the strategy, with the Board's focus on the performance of the core business, testing investment spend and the benefits delivered rigorously and concluding the issues arising from GLO, including the cultural changes needed. The latter includes bringing in external perspectives, including Postmasters and customers, understanding our markets, competitors and emerging trends to support evidence based decisions.

6. **How do last year's responses and this year's compare?**

A number of themes continue from 2018/19 to 2019/20, particularly around understanding the external environment better in fast developing markets, proposals being better supported by data and the need to be clearer on the value and benefits to be generated by investments.

Greater focus on Postmasters and customers was highlighted in the 2018/19 review but is a central theme in 2019/20 attached to the post GLO requirements and the PSG work with cultural change to drive accountability and a customer and Postmaster centric Post Office. The scores on our approach to considering stakeholders needs and views have declined, with the exception of the Special Shareholder, possibly reflecting the view that the Postmaster and customer needs and their perceptions of the Post Office need to be understood and responded to more effectively.

Next Steps & Timelines

7. The ARC, Remuneration Committee and Nominations Committee will be asked to consider their evaluation reports and proposed actions at their next scheduled meetings in May 2020.
8. The Nominations Committee will be asked to review progress with the implementation of the actions agreed from the Board Evaluation 2019/20 at its meeting on 22nd September 2020.

Appendix 1

2019/20 Board Evaluation Questionnaire

	Question	2018/19 Average	2019/20 Average
A.	Skills, experience, diversity, knowledge		
1.	How appropriate is the composition of the Board for the requirements of the business?	4.3	4.0
2.	How would you rate the Board's understanding of the following areas of the Business and areas of business transformation:		
i	Retail	4.0	4.0
ii	Financial Services and Insurance	4.3	3.5
iii	Telecoms	3.2	3.2
iv	IT	3.4	3.3
v	Risk	3.8	3.5
vi	Banking Framework	4.2	3.9
vii	Digital Identity	3.3	3.1
viii	Compliance	(new Q)	4.0
ix	Corporate Governance requirements (including the increased focus on diversity and stakeholder reporting)	(new Q)	3.9
x	Aligning all of the above into the work on Purpose, Strategy and Growth	(new Q)	3.4
	Average for section =	3.8	3.6
	Additional Comments: <ul style="list-style-type: none"> Like most boards, we lack deep technical expertise to challenge the IT strategy. This could be facilitated by having an advisory IT committee or some independent expertise (reporting to the Board). There is an emerging awareness around Digital Identity which should be enhanced with future discussions and support from experts. PSG out turn not received yet at the time of completion of questions. Given the diversity and complexity of the business, it isn't possible for the Board to have deep expertise in any specific sub-sector. Overall, however, I think the Board is well equipped to deal with POL's issue. One area where I think we are light is having deeper IT expertise to enable us to challenge management in this key area for the company. Q4 – PSG is re-inventing the strategy and re-wiring the organisation and relationship with postmasters and customers and requires the Board to effectively oversee how the strategy is being delivered. For me post GLO the Board needs to improve the organisation's focus on making stronger well thought through decisions, for example on technology. 		
B.	Leadership, ways of working, time management		
3.	How would you assess the Chairman's encouragement of debate within the Board, including ensuring that all directors are able to contribute to the discussion?	3.5	4.0
4.	How effective is the Board at focussing on the right issues (e.g. gaining an appropriate level of assurance on how strategy is being implemented and the business is being run, setting strategy, providing support and challenge to management).	3.6	3.7

5.	How effective are the relationships between:		
	a. Board Members	4.2	4.1 1 = N/A
	b. Non-Executive Board Members and Management (in providing both support and challenge)	4.2	3.6 1 = N/A
	Average for section =	3.9	3.8
	Additional Comments: <ul style="list-style-type: none"> The Chairman has actively encouraged debate and sought out opinions of all Board members. This should improve further with the new NEDs. Chairman must encourage more Executive and NED input before he provides his views. Although I think Board members are very willing to contribute, I think NEDs with particular expertise could be invited to comment first. We are not always disciplined about giving all Board members an opportunity to speak. It would also be helpful if we could be clearer about recording the decisions that have been taken which has caused confusion at times (e.g. Telecoms). While the onus is on management to provide high quality Board papers and base recommendations on good data and analysis, this has been a weakness (e.g. Agent Pay) and the Board could do more to hold management to account. Q4: PSG is re-inventing the strategy and re-wiring the organisation and relationship with postmasters and customers and this requires the board to effectively oversee how the new strategy is being delivered. For me post GLO the Board needs to improve the organisation's focus on making stronger well thought through decisions, for example on technology. 		
C.	Decision-making and Risk		
6.	How would you assess the Board's consideration of risk when taking strategic and operational decisions?	3.7	3.5
7.	How strong is the Board's understanding of the business' competitors?	3.3	2.7
8.	How strong is the Board's understanding of the business' performance drivers?	3.8	3.7
9.	How effective is the <u>process</u> of board decision making?	3.8	3.6
10.	To what extent does the Board review past decisions?	3.0	2.6
11.	How seriously does the Board take the development of individual directors and the Board as a whole, and where it needs to improve?	3.5	2.8
	Average for section =	3.5	3.1
	Additional Comments: <ul style="list-style-type: none"> The business' competitors are changing (e.g. Amazon) and our understanding of these players and their strategies is relatively immature. We could benefit from having experts in these areas attend and speak at board dinners. Past decisions are reviewed in terms of looking at the performance vs budget and as part of ongoing decision making - we do not have dedicated retrospective reviews; although we do have deep dives into situations at the ARC development of directors takes place from regulatory point of view - we could benefit from thought leadership sessions on areas impacting the business strategy (some other boards have a 30 min session immediately prior to the Board meeting to facilitate this). We made an effort last year to have NED only discussions for the first time. I'd encourage more of these which I think would help us focus on improving many of the issues raised on this page - not to deal with the issues per se but at least to provide a forum in which these questions can be discussed and a way forward agreed. 		

	<ul style="list-style-type: none"> Q6: I wonder whether papers are clear enough on the bottom line/value to help make decisions that are very complex in nature? Examples recently Telecoms and Insurance strategy.Q8: this could be more clearly expressed in performance reports Q9: the board faces some complex decisions in the year ahead and I would want to see that we are able to test ideas and their downsides more thoroughly and ensure decisions made are both stronger and deliverable.Q10: I am sure this will happen post GLO - we need to think really hard about how the organisation makes decisions that create a really difficult legacies. 		
D.	Specific Questions for Non-Executive Directors, Executive Directors and UKGI Representative		
12.	The quality and value of NEDs' contributions at board meetings?	4.0	4.1
13.	To what extent do NEDs get involved in issues outside the Boardroom?	4.0	3.9
14.	How effective are the EDs in assisting the Board's understanding of the business issues?	3.8	4.0
15.	To what extent do the EDs act in a collegiate manner with the overall interests of the business in mind?	4.4	4.0
16.	The level of insight provided by the UKGI representative into the strategic direction that the Shareholder aspires to.	3.8	3.7
17.	The level of engagement and contribution made by the UKGI representative.	4.0	3.7
	Average for section =	4.0	3.9
	Additional Comments: <ul style="list-style-type: none"> Q12 - goes to my comment about inviting NEDs to speak on topics Q14 - in general (but not always) I find EDs responsive and helpful and also make a positive effort to discuss matters coming up at the Board. Q15 - the management team does a good job of presenting a unified front to the Board but anecdotally we know the organisation is very siloed and finds it difficult to prioritise scarce resources across different parts of the business. 		
E.	Information and Support		
18.	How would you rate the management information received by the Board and its timeliness (i.e. is it the right information at the right time to provide you with the assurance you need and the understanding of the business you need)?	3.5	3.1
19.	How would you rate the quality of papers and presentations received by the Board?	3.5	3.3
20.	How effective are the Board Committees at communicating decisions and outcomes to the full Board?	3.6	3.7 1 = N/A
21.	How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required?)	4.1 1 = N/A	4.1
22.	Does the Board feel that the frequency and length of meetings are appropriate?	Yes = 9 No = 0	Yes = 8 No = 2
23.	Are issues brought to the Board at an appropriate time?	Yes = 7	Yes = 8

		No = 2	No = 1 1 = N/A
24.	Are there any issues or topics <i>that are not discussed</i> that should be considered at the Board?	Yes = 3 No = 6	Yes = 5 No = 5
	<ul style="list-style-type: none"> We have a number of live matters that we have had to focus on in the last 12-18 months and hopefully can now find time to focus on the strategic future Post Office. We possibly also need to spend more time hearing from the employees and the postmasters direct. Board papers need to be more complete when loaded as opposed to lots of submissions after the main body of papers. There have been several issues around the transparency and productivity of change spend, versus business as usual. Given the GLO issues, we need also to spend more time on the relationship with SPM's. This should encompass the current state of play from their perspective, and the overall management of their business - pay, interaction with the Post Office, and the vexed question of how to manage problems with branch accounts. Customers; Culture; Stakeholder perspectives; Competitors. 		
25.	How effective are the communications between the Board and the management between formal meetings?	4.0	3.8 1 = N/A
26.	Does the Board have sufficient time in private (either formally or informally) to discuss matters of concern?	Yes = 7 No = 2	Yes = 8 No = 2
	Average for section =	3.7	3.6
	Additional Comments: <ul style="list-style-type: none"> We usually have good quality information but have had to rely on the 1 internal (uncorroborated) view relating to tech issues. This has meant that we have had to make some decisions with further information coming to light later (Belfast data centre /PCI). Formal Board Committees are good at communicating information to the rest of the Board. The informal working parties (e.g. Litigation) have not always been as strong. 		
F.	Stakeholder engagement		
27.	How would you assess the Board's approach to considering the following stakeholder needs/ views when taking decisions:		
i.	Customers	3.7	3.1
ii.	Postmasters/agents and clients	3.6	3.2
iii.	Special Shareholder	4.0	4.3
iv	Employees	4.0	3.1
v.	Suppliers	3.1	2.8
vi.	Regulators	3.7	3.2
	Average for section =	3.7	3.2
G.			
28.	How do you think the company's culture/ behaviours need to change to support the successful delivery of its strategy?		
	<ul style="list-style-type: none"> Re-balance the emotional, public and brand agenda with commercial progress. 		

	<ul style="list-style-type: none"> • We have a diverse and experienced board with an excellent Chair. The shareholder representative adds constructive challenge but at times dominates the debate which can lead to his views overshadowing others. The board and the shareholder need to reconcile the purpose of Post Office. On the one hand, the shareholder / shareholder representative wants decisions based on optics and public purpose which is understandable and helpful but it doesn't take into consideration the commercial costs of such an approach in addition to the additional governance restricting POL's ability to be commercially sustainable. The board, on the other hand, attempts to reconcile this but we remain focused on increasing year on year operating profit. These purposes are not always compatible and consequently delivery and decision making is impacted. The shareholder and board should then help support management in how these purposes are reconciled once decided. Subject to the above, we may be too focused on increased operating profit rather than long term sustainability particularly given other strategic issues. • We need to be more deeply rooted in the customer (postmaster and end customer) experiences. Our organisation structure and operating practices need to revolve around these (rather than being process led). • More accountability for individuals. De layering of Management Organisation. Fundamental engagement of Sub Post Masters to be a part of our structural organisation. Resolve the role of NSFP and how it's funded. Focus on less businesses. • There needs to be a more focus on risk in making strategic decisions. • We have already established a need to reset the relationship with our SPM's. The other major challenge is how we are delivering to customers - meeting our obligations to provide a comprehensive service geographically, but also keeping an effective track of how customers view the Post Office, in terms of value for money, service, and to understand areas where we are not meeting needs effectively. • POL's need to provide a much better service to Postmasters is well documented. I'm also hopeful that Nick will create a strong customer oriented culture at POL. • Executive needs to be clear-sighted about strategy and board needs to hold them to that. Execution of the strategy is key and that requires the board to understand (and support) the CEO's new organisation as well as challenge whether we have the right leaders with the right skills to deliver the plan. • This is well documented in the OHI. There is a clear need for strategic direction, role clarity, an external perspective, and effective performance and consequence management. The culture of entitlement needs to become more service and customer orientated. • Being able to hear first-hand from staff, postmasters and customers would be beneficial. That may be seeking the verbatim feedback from surveys, commissioning independent surveys and NEDs spending more time in the retail network.
<p>H.</p>	<p>Please include any thoughts you have about the operation of the Board and any ideas for its future operation.</p>
	<ul style="list-style-type: none"> • How do we manage public concern over the GLO. • More Executive/ External speakers or presenters/ on best practices/ Better Competitive knowledge in our Key Sector Businesses. • We need more diversity and to consider how wider stakeholder interests get represented. • The board would benefit from more NED only discussions outside of the formal meetings structure. • Having sat on many Boards over the years, I think the PO Board has some committed NED's, and relationships generally are positive. We are now in a transition period with some new NED's and new EDs. There is a commitment by the new CEO to focus more on performance issues in Board meetings, which will be welcome, and with simplification of the business, the Board will be in a position to spend more time on the key drivers of performance. The Board will benefit from having three clear objectives: concluding the issues arising from GLO, including cultural change, performance of core business, and supporting the priorities set by the new CEO, effectively, reducing cost and concentrating on the big bets.

- The board is of a good size and with people who bring many different perspectives so group think is generally avoided. If I have one worry it is that the new strategy has not yet been explicitly agreed. There have been a number of challenges expressed by the board which need to be followed through as it continues to develop.
- Whatever the strategy finally agreed, all the risk lies in effective execution by the new leadership group and the Board needs to keep a close eye on this.
- - Perhaps a postmaster representative. - Employee representative (this is voice is rarely considered at Board in terms of the decisions that are being made).

ARC Evaluation Questionnaire 2019/20

	Question	2018/19 Average	2019/20 Average
A.	Skills, experience, diversity, knowledge		
1.	How appropriate is the composition of the Committee for the requirements of the business?	3.8	4.1
2.	How would you rate the Committee's understanding of the following areas of the Business:		
i.	Financial reporting and management	4.2	4.2
ii.	Risk	4.0	4.1
iii.	Compliance	4.1	3.8
iv.	Internal Audit	4.0	4.3
v.	External Audit	(new Q)	4.2
	Additional Comments: <ul style="list-style-type: none"> We could benefit from additional independent IT expertise (which could be provided via the external auditors or the co sourced internal auditors). In general I think the composition and skillset of ARC is excellent. 		
B.	Leadership, ways of working, time management		
3.	How would you assess the Chair's encouragement of debate within the Committee, including ensuring that all members are able to contribute to the discussion?	4.2	4.3
4.	How effective is the Committee at focussing on the right issues?	4.0	4.1
5.	How effective is the Committee at providing both challenge and support to management?	4.1	3.9
	Additional Comments: <p>My main concern about ARC is that the agenda is very full already. There are always additional things we could do but there are a few things that I think are gaps and where some time would be very worthwhile:</p> <ul style="list-style-type: none"> - a more strategic view of risks, A good example is the good work that now seems to be going on in relation to the potential failure of a multiple partner. This arose in a somewhat obtuse way and should have been flagged by management if we were following a more structured process - assessing management capability, specifically in the areas covered by ARC - the finance function, risk, compliance and internal audit - IT strategy and risks where we have seen examples where risks have not been identified properly (e.g. Oracle termination of support) which has caused previous decisions to be reversed quickly. IT is also the bottleneck so often in the company's ability to implement change and improved service for Postmasters and customers. 		
C.	Information and Support		
6.	How effective is the Committee at testing the information provided by its external advisers?	3.7	4.1
7.	How would you rate the quality of papers and presentations received by the Committee?	3.2	3.6
8.	How comfortable are you that compliance with the regulatory landscape is adequately managed and reported?	3.6	3.6
9.	How would you rate the management information received by the ARC and its timeliness (i.e. is it the right information at the right time to provide you with the assurance you need and the understanding of the business you need)?	(new Q)	3.8

	Question	2018/19 Average	2019/20 Average
10.	How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required)?	4.00	4.1
11.	Are the frequency and length of ARC meetings appropriate?	Yes = 6 No = 2	Yes = 8 No = 2
12.	Are issues brought to the ARC at an appropriate time?	(new Q)	Yes = 8 No = 2
13.	Are there any issues or topics <i>that are not discussed</i> that should be considered at the Board?	(new Q)	Yes = 2 No = 7 Don't Know = 1
14.	Does the ARC have sufficient time in private to discuss matters of concern?	(new Q)	Yes = 5 No = 2 N/A = 2 Don't Know = 1
15.	Please comment on the effectiveness of the interaction with Internal Audit.		
	<ul style="list-style-type: none"> • Very effective – there is a very detailed, operational oversight and challenge given by Board/ ARC • Excellent. The Chair is always engaged and provides sufficient guidance and challenge. I feel very much supported and able to perform my duties without interference. More recently Tom Cooper has also engaged directly with IA, which is overall positive. Feedback from the ARC suggests that the IA reporting is satisfactory, however, I will welcome more direct feedback and in particular if there is any additional information that the committee would like to see included that may further enhance the quality and value of reports. • In general Internal Audit is responsive and open. In general they do good work although their work doesn't always hit the mark (E.g. change spend processes). As with any IA function there is a balance to strike between rigour on the one hand and the need to maintain relationships with colleagues on the other. • IA continues to improve and deliver according to its Audit Schedule. • Effective and thorough - during the next year we may benefit from hearing from the co sourced Internal Auditors (Deloitte) more frequently • Open and sensible. • It's well-structured and timely. 		
16.	Please comment on the effectiveness of the interaction with External Audit. (new Q)		
	<ul style="list-style-type: none"> • I don't have much visibility of this, but I have no concerns. • I think it is good. Regular dialogue with AC Chair. And discussions before and during the AC meetings. • Generally very good so far. • Sufficiently frequent. • Adequate • Effective both in and outside of the formal meetings. • Much better and very open. • It's well-structured and timely. 		
17.	Please include any thoughts you have about the operation of the Committee and any ideas for its future operation.		
	<ul style="list-style-type: none"> • Carla is an outstanding NED and Chair. She role models perfect behaviours and gives excellent honest challenge whilst understanding commercial realities as well as industry best practice in Risk and Compliance. 		

	Question	2018/19 Average	2019/20 Average
	<ul style="list-style-type: none"> • The Committee could support management more in the ARC remit particularly when the Board has made certain decisions which in turns has an impact on the management team particularly in terms of resource and volume of work. • This is one of the most effective Audit Committees I have seen. • I think the ARC operates well. It has to cover a lot of ground given the range of compliance and regulatory topics. It spends relatively less time on financial reporting matters compared to listed company audit committees – but that is understandable given POL has limited public reporting requirements and there are a wide variety of important areas to focus on. I think key members of the ARC are diligent in ensuring they properly understand topics and bring a lot of value, as well as being appropriately sceptical. • One point on timings – I would suggest that if possible going forward the May ARC is superseded by a June one so as to better mirror the timing of the annual accounts / audit. This year there is a separate June ARC call scheduled to focus on the accounts – which is helpful. May is too early. And July too late! • We can now rise up a level and use less time. • The compliance with the regulatory landscape is improving and the suggested steps to ensure that we have completeness, combined with the proposal for legal to input to the emerging compliance risks will be beneficial. • Carla Chairs the ARC extremely well given the breadth and complexity of the various businesses. • Well chaired. On occasions meetings can be rushed. Perhaps longer meetings should be scheduled in diaries with time given back if meetings under run. 		

Remuneration Committee Evaluation Questionnaire 2019/20

	Question	2018/19 Average	2019/20 Average
	Skills, experience, diversity, knowledge		
1.	How appropriate is the composition of the Committee for the requirements of the business?	4.3	4.3
2.	How would you assess the Committee's knowledge of the following issues:		
	Structure of senior executive remuneration packages and approvals process for these (PO Limited and PO Insurance)	4.1	3.3
	Structure of staff remuneration packages and approvals process for these (PO Limited and PO Insurance)	3.8	3.3
	Reporting requirements for the Remuneration Report in the Annual Report and Accounts	(new Q)	4.0
	Increased focus on and reporting requirements for equality and diversity issues.	(new Q)	4.3
	Leadership, ways of working, time management		
3.	How would you assess the Chair's encouragement of debate within the Committee, including ensuring that all members are able to contribute to the discussion?	4.3	4.0
4.	How effective is the Committee at focussing on the right issues?	4.3	3.6
5.	How effective is the Committee at providing both challenge and support to management?	4.2	3.6
	Additional Comments: My scores here are not particularly high because I think our approach to these issues could be more structured and would benefit from more time in planning. Although it isn't the job of the Committee or the Chair to design remuneration structures, unfortunately in POL's case management is very fixated on EBITDAS and we have not been very successful in moving away from that. Given the management team's approach, it does mean the committee and its Chair have to be more proactive than they might wish in order to effect change. I am also the first to admit that HMG's approval processes and involvement make the whole process much more arduous than it needs to be.		
	Information and Support		
6.	Are the frequency and length of Remuneration Committee meetings appropriate?	Yes = 6 No = 0	Yes = 2 No = 1
7.	How effective is the Committee at testing the information provided by its external advisers?	4.0	3.6
8.	How would you rate the quality of papers and presentations received by the Committee?	4.2	3.3
9.	How would you rate the access you have to any additional information and support you need to fulfil the requirements	4.0	3.3

	Question	2018/19 Average	2019/20 Average
	of your role (i.e. from management, secretariat or from external advisers, where required)?		
	<p>Additional Comments 2019/20</p> <p>There is a considerable amount of change in this space, and the committee is spending time adjusting to the new landscape, in terms of Special Shareholder expectations, and sensitivity around GLO-related issues. These are difficult areas, but it seems to me the committee is getting to grips with the problems and also taking time to understand fully the challenges ahead.</p> <p>As mentioned previously the circumstances mean Remco needs to spend more time - probably in practice more meetings to discuss topics, plan and generally provide leadership.</p> <p>More external help is useful. Both Ken and I attended the UKGI event a few weeks ago which I think gives us all more confidence to move away from the current remuneration structure which is so dominated by EBITDAS.</p>		
10.	<p>Please include any thoughts you have about the operation of the Committee and any ideas for its future operation.</p>		
	<p>New Executive CEO and Group People Director now need to take leadership of the agenda.</p>		

Nominations Committee Evaluation Questionnaire 2019/20

	Question	2018/19 Average	2019/20 Average
	Skills, experience, diversity, knowledge		
1.	How appropriate is the composition of the Committee for the requirements of the business?	4.0	4.0
2.	How would you rate the Committee's knowledge of the following issues:		
	a. Succession planning	3.7	3.0
	b. Board recruitment and appointment processes (including PO Insurance)	4.2	4.0
	c. Corporate governance requirements.	4.2	4.0
	Leadership, ways of working, time management		
3.	How would you assess the Chair's encouragement of debate within the Committee, including ensuring that all members are able to contribute to the discussion?	4.2	4.0
4.	How effective is the Committee at focussing on the right issues?	4.4	4.0
5.	How effective is the Committee at providing both challenge and support to management?	4.2	4.0
	Information and Support		
6.	How effective is the Committee at testing the information provided by its external advisers?	3.6	4.0
7.	How would you rate the quality of papers and presentations received by the Committee?	4.0	4.0
8.	Are the frequency and length of Nominations Committee meetings appropriate?	Yes = 5 No = 0	Yes = 2 No = 0
9.	How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required?).	4.2	3.5
10.	How effectively does the Nominations Committee assess the quality of the management team below Board level and manage succession planning?	3.0	3.0
11.	Please include any thoughts you have about the operation of the Committee and any ideas for its future operation.		
	Comments from 2019/20: <ul style="list-style-type: none"> • Still work to do on succession planning • The area of focus for the future will be on the level down from the GE and succession planning, although it's important to recognise that this is primarily the responsibility of the executive team. Therefore the quality of dialogue with the CEO will be important. 		

POST OFFICE LIMITED

Review of the effectiveness of the Board and Committees

March 2021

Confidential



INDEPENDENT AUDIT
BOARD REVIEW



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Appendix 1: What we did

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The small print...

This report is based on the work we have performed in accordance with our engagement letter dated 22 December 2020. Our terms of engagement provide for a limit to our liability, and also restrict release of our report to third parties. Should we agree to a third party being given access to our report we have no responsibility for any judgements or decisions made by that party based on our report. Where our work is referred to externally, the wording and context should be agreed with us in advance.

Context

- 1 We were commissioned to undertake a review of the Board of Post Office Limited (POL). This involved:
 - interviews with all non-executive directors (NEDs), executive directors, some further executives and representatives of stakeholders at the Department for Business, Energy and Industrial Strategy (BEIS)
 - observation of meetings of the Board and three of its committees
 - a review of board information.
- 2 POL came into existence in its present format in 2012 when it was split from Royal Mail, inheriting functions and services relating to the management of post office branches and the provision of financial, information and other services through this network.
- 3 The CEO and around 50% of the senior management have been recruited in the last two years. With the strong support of the Board, the executive team has embarked on a new strategy, focused on mails and cash, with the aim of becoming financially self-sustaining. Underpinning this strategy is a far-reaching culture shift to become much more postmaster-friendly while significantly reducing employee numbers and transforming both the organisation and its IT infrastructure.
- 4 This would be a lot for any organisation to handle. At POL, however, both the Board and the Executive also have to contend with a complex historical legacy and a challenging external environment:
 - COVID-19 has had a major impact on the operation of post offices, and it is a major achievement that they stayed open throughout, providing essential services.
 - Historic IT issues with the Horizon system led to a number of postmasters being wrongly prosecuted for fraud. A large number of appeals and compensation claims connected to this are in the process of being resolved.
 - As well as the new strategy and culture shift, POL is undergoing changes to its processes and organisation, migrating IT systems and reducing employee numbers and costs.
 - Pressure on public finances has meant that only one-year funding has been agreed with Government, which complicates longer-term planning.
 - The NEDs have been closely involved in both the litigation and the business transformation – over 60 ad hoc and scheduled board and committee meetings took place in 2020 to handle the heavy workload.
- 5 We have taken these circumstances into account while looking at how the POL Board undertakes its responsibilities, and we have drawn on our experience of reviewing the boards of many different public and private sector organisations. This board review – like all our reviews – is a forward-looking one. Our aim is to provide suggestions for how the POL Board can develop in future, to maintain effective oversight and support the Executive as it sees the POL transformation through to completion.

- 6 Appendix 1 describes our scope of work in more detail. Please note that we did not attend discussions or review papers specifically relating to the ongoing litigation or compensation for postmasters. We did not evaluate the effectiveness of the Board's work in assessing the ongoing litigation or in formulating a response to these historical matters.

Summary: Moving along the "strategic-operational spectrum"

- 7 The POL Board has been in an unenviable position. It has been having to spend considerable time looking in detail at the legal challenges faced by POL and the organisational root causes, at the same time as looking to lead the organisation through a transformation around its people, platforms and business model. This all needs to happen alongside "business as usual" governance oversight with a complex strategic, stakeholder, compliance and risk environments. At the same time, it needs to move forward as a unitary board with a persistent focus on the future and the strategic interests of the company, whilst looking to ease away from more detailed oversight.
- 8 Boards typically need actively to shift on a "board governance spectrum": at times of crisis being close to the operational detail, and then moving back to a more normal position of strategic oversight. As the POL Board starts to emerge from a time of intense work on the historical litigation and looks ahead to shaping a positive future for the business, it will want to move back to a position where its focus is less operational and more on strategic oversight. This move needs to be underpinned by grounded trust – an evidence-based confidence that the organisation is fully under control. The main theme of this report could, therefore, be called "moving along the strategic-operational spectrum", considering how the Board can plan and best equip itself to make this move when it becomes possible.
- 9 Inevitably, given the context, there are areas where the Board has had to become more operational than we would expect, and some aspects of board governance have not been addressed as fully as we would expect. But the Board has many strengths which set it up well for the challenges ahead:
- The NEDs and Executive share a common goal of creating a sustainable and competitive Post Office for all stakeholders, while maintaining a strong social mission, with a particular focus on postmasters.
 - The Board has agreed and articulated a future strategic direction for POL.
 - The Board is made up of committed and hard-working NEDs and executive directors, who bring a range of relevant and complementary skills, including industry expertise of mails and financial services, IT transformation and turnaround skills, and experience of liaising with Government.
 - The Chairman is held in high regard by all his colleagues for his engagement and business acumen. He has fostered collegiate and constructive boardroom dynamics.
 - The relatively new CEO is rated highly by all for his drive, communication skills and strategic vision. The refreshed senior team is unanimously commended for their openness, transparency and readiness to consider challenge and input. This underpins the work of the Board and gives a good basis for strengthening of governance more generally.

- The Chairman and CEO are felt by all to work well together, and relationships between NEDs and executives more generally are constructive.
 - The Company Secretary is appreciated by all interviewees for the efficient support she and her team provide to the Board.
 - The four meetings we observed were all well chaired (by the Chairman and both Committee Chairs), with a range of executives and non-executives contributing to inclusive and wide-ranging debates on major topics.
 - The Board has adapted well to not being able to meet in person and exhibits good virtual meeting practices.
- 10 All directors have committed considerable time to ensuring a strong focus on the litigation, including reviewing appeals and compensation claims in detail.
- 11 Despite this inevitable and fully appropriate focus on the fallout of these historical cases, the Board has managed to keep looking forward. As well as setting the strategic direction, it has been:
- Starting to foster a postmaster-centric culture, taking into account their views and needs. An important first step has been the decision to appoint two postmasters as NEDs, due to join the Board in April.
 - Developing a more robust framework for risk management and assurance.
 - Overseeing a widescale business transformation including a reengineering of the IT infrastructure.
 - Working with government stakeholders at UKGI and BEIS to keep them informed and to take into account their perspectives
 - Providing support to the executive team, acting as a sounding board, constructively challenging and giving advice, including interacting outside the board meetings.
- 12 As part of the theme of “moving along the spectrum”, we have identified the areas outlined below for the Board to continue to work on. There is a good deal of awareness at POL of the need to move forward in these areas, and our intention is to reinforce the efforts you are already making, with particular emphasis on:
- Striking the right balance in agendas, discussions and pre-papers across three interrelated workstreams: managing the ongoing stresses affecting the organisation, strengthening oversight of business as usual, and planning for the future.
 - Putting in place a timely plan to manage the succession of some long-standing board members and to integrate new members, including the two new postmaster NEDs.
 - Supporting the development of a strong management team to deliver the new strategy and culture. This involves maintaining a competitive remuneration structure to attract and retain skilled people.

- Getting a good picture of how the culture is changing with indicators brought together in a culture dashboard. The new postmaster NEDs can play an important part in ensuring the “postmaster voice” is heard in the boardroom, but more will be needed. This will include the Secretariat developing a more systematic programme for all NEDs to “go out and about” once this becomes possible; the Board constantly looking for opportunities to discuss the cultural drivers and implications; and working out how to get a picture of the progress being made in embedding the target culture.
 - Working with executives to further develop the risk management approach, building on the progress already made, ensuring that the framework is adding value by making a practical difference to the way the business works. As part of this, the ARC could concentrate more on impact and behaviours, with a greater focus on the strategic principal risks.
- 13 Our report is in five main sections covering these areas. A final section contains some additional suggestions, which fall under the category of “housekeeping” or “quick wins”.
- 14 We would like to thank all those we interviewed for engaging in open and insightful conversations with us.

Focus and balance

- 15 It is much to your credit that the Board has succeeded in agreeing a clear strategic direction for POL with well-defined business priorities. A clear consensus has been reached that Mail & Parcels and Cash & Banking will sit at the heart of the strategy, underpinned by cultural transformation that puts the postmasters at its centre.
- 16 Supporting these overarching aims is an agreed plan covering a series of initiatives which seek to deliver the required change. The challenge is now to put these core components of the strategy at the centre of the way the Board is working, while at the same time continuing to give sufficient focus to ongoing legal challenges and the upcoming public inquiry. In practice, this will involve the Board giving sufficient weight in its agendas, discussions and pre-read papers to three parallel workstreams: the “stress scenario”, business as usual and the future.
- 17 The first of these encompasses the perfect storm of conditions facing POL. Any board, when faced with such a conjunction of challenges, might struggle to keep in sight the overall picture of how these tensions are affecting the organisation and those working within it. Given the extent to which the Board has been immersed in each component, it is not surprising that it has struggled to find time to stand back regularly to discuss with the Executive the wider stress scenario, the possible breaking points and mitigants. The Board should set aside time for discussions specifically on this risk, to make sure that the overall situation is sustainable.
- 18 When an organisation is under stress, the likelihood of problems arising in day-to-day operations increases, for example through control weaknesses, absenteeism and unethical short cuts. Whilst these may be partially captured through the work on the risk register, their true impact may not be clear when discussions about risk management are heavily focused on processes, structure or defining risk appetite. You should check periodically whether the continuing strains are stretching operations – and possibly key individuals – to an extent that the risk is unacceptable.
- 19 At the same time as dealing with the immediate challenges and business as usual, the Board will need to continue to push to ensure the way forward has clear visibility and is given the right airtime in meetings. So far this has been happening, despite the immediate pressures on the Board’s time and energy. This now needs to be maintained, in part through making sure that board agendas and information support this emphasis.
- 20 The current agendas cover the ground well but tend to be unstructured lists of items, all of which are necessary, but which are missing some strategic coherence. This includes grouping some potentially difficult issues under “for consideration” at the end.
- 21 As an alternative, we suggest you start with the pillars of the strategy and risks to strategic success, structuring agendas around these. Items could then be grouped thematically. This would enable many of the items the Board has to cover to be slotted under strategic headings, thus helping to make the agenda coherent and linked to the KPIs and milestones.
- 22 To help in establishing the priorities and the balance, you could consider developing a “strategic governance map”. This would plot out on one page the myriad issues the Board has to cover over the year. Especially for a board dealing with a particularly diverse set of responsibilities, this is a useful way to maintain a view of how far oversight activity is covering the full spectrum of responsibilities. Once agreed, it can then be used to shape the Forward

Agenda so that this becomes a detailed map for the year of all the areas that need to be covered.

- 23 The current forward agenda only covers the next two meetings and should be extended to cover the key topics to be considered at board and committee meetings in the course of the next year. Later in this report, we will suggest you spend more time on vital areas such as the cultural shift and the development of the management team. It will be a challenge considering the historical workload, but a better balance is needed.
- 24 Overall, the papers provided to the Board and committees have improved as a result of effort over the past year. Positive features include:
- The use of opening templates, whilst still requiring development, is reasonably consistent and provides some clarity over the purpose and content of the papers.
 - The CEO Report works well as a concise and readable run through of the state of play and the issues management have been dealing with.
 - The Finance Report covers the ground in a well-structured, clear way with a reasonable amount of analytical commentary to guide the reader.
 - The style adopted in many papers of raising questions and then providing explanatory answers works well.
- 25 NEDs are appreciative of the efforts put in on the papers but would still like to see improvements. We agree that further improvements would improve discussion and help maintain strategic focus:
- The CEO Report could be complemented with clear KPIs and milestones as the strategy is operationalised. A “stress map” could also provide an up-to-date picture of each of the main elements, the interdependencies and the trends.
 - The volume of information needs to be significantly reduced. If NEDs still feel a need for more detail, or simply more background, this should go into an online reading room.
 - To reduce paper length and improve focus, the paper owners should be persistently asking the question “do non-executives in a strategic oversight role really need to know this?”
 - The summary templates provide some structure, but in places they can become boxes to be filled in rather than providing a well-thought-through overview. They should highlight what NEDs need to know: a recap of past discussions, the main angles and risks to be discussed, what the Executive is looking for in terms of a steer or a decision.
 - Discussions should be closely tied into the strategy and strategic drivers. In the summary, or in the headlines throughout the paper, the strategic relevance should be highlighted. For example, as “putting postmasters at the heart of what we do” is a key objective, each paper could highlight how it helps to promote this aim.

Composition, succession and dynamics

- 26 The Board currently benefits from the insights of experienced directors who have a good range of knowledge and skills, covering all the key aspects of POL's business model, including Retail, IT/Digital, Mails/Parcels and Financial Services. All the NEDs work hard, putting in much more time than they would in a typical non-executive role, and executives value their contributions. The Board has a shareholder representative NED from UKGI who is felt by colleagues to be engaged and constructive, and to provide good input into debates.

Postmaster NEDs

- 27 Two new "postmaster NEDs" are due to join the Board in April following a thorough and well-planned process to source and select candidates. In this way, the Board will hear first-hand from active postmasters about the challenges they are facing, their experience of interacting with various functions within the Post Office and the impact board decisions might have. It is also hoped that they will network among postmasters to bring a perspective wider than just their own. They will bring the postmaster perspective but will not "represent" them; like all directors, they will have to take all stakeholders into consideration as they participate in board discussions and decisions.
- 28 The Board is clearly very committed to integrating the new members effectively. This should be helped by the noteworthy decision to include two postmaster NEDs rather than just one. This should make it easier for them as they will be able to share experiences and provide each other with support.
- 29 All recognise that induction will be especially important for the new postmaster NEDs and a programme is being developed. It is also good that the new NEDs will be assigned a "buddy", pairing up with one of the experienced NEDs for support.
- 30 We suggest the postmaster NEDs be invited to attend all committees for their first six months before determining, in consultation with them, which committees they will join as members. This will give them the opportunity to understand the time commitment of their board responsibilities – both in formal meetings and in networking with postmasters – and also give them a sense of where they can make the best contribution.
- 31 The proportion of time spent or the focus of the new NEDs might be open to a different emphasis, and they will be relying on the work done in the committees (in line with their board-approved terms of reference) as are all directors. But the Board fully understands the importance of ensuring they are in the same position as any other director in terms of receiving information, being aware of discussions and being involved in making decisions. At the same time, there might be scope for the new NEDs to be less involved in any separate meetings covering the historical litigation, giving them the space to concentrate on the forward-looking agenda of building a postmaster-centric culture.

Succession

- 32 The Board faces a significant challenge over the next 18 months as the three most experienced NEDs are all due to finish their terms (the SID and ACC followed by the

Chairman). Along with the addition of the postmaster NEDs, this will create a lot of change, which needs to be managed carefully.

- 33 We observed a good discussion about succession at the Nominations Committee we attended, but not all directors were able to contribute and some points would have benefitted from being raised at an earlier stage. Sounding out existing NEDs to take on new roles and to potentially extend their term by a year (which can be acceptable to Government in some circumstances) could have been considered at an earlier stage.
- 34 In our interviews and at the Committee, various profiles of experience and expertise were suggested for future NEDs including retail, mails/logistics, financial services, social policy, accounting, digital/start up, CEO experience and operating franchises. Several executives feel that relevant industry experience should be increased. It is understandable that succession planning has not been a priority amidst the pressures of recent years, but it will be important to make time for it as the Board evolves. Given lengthy HMG approval times, succession planning for the Chairman should begin soon.
- 35 Succession planning in future should include:
- The Chairman and SID sounding out NEDs as regards their willingness to be considered for extension/new roles such as committee chairs / SID / designated NED for employee voice.
 - A discussion of the target experience profiles at the full Board and a discussion led by the SID on the future Chairman profile.
 - A discussion at the Nominations Committee to work further on the profiles and process, reporting back to the Board regularly on progress.

Dynamics and relations

- 36 The board and committee meetings we observed were well chaired, both by the Chairman and the Committee Chairs. We heard consistently how the NEDs come well prepared to meetings. Discussions appear inclusive, NEDs offer robust and constructive challenge, and the executives respond without defensiveness. At times, it may be difficult for all NEDs to have their say on all topics given the large number of topics in the agenda and the many historical legal issues to be dealt with. This will only become more acute with the increase in size of the Board. Board members will need to exercise self-discipline to give everyone an opportunity to contribute and the Chairman will need to ensure that, despite the number of NEDs, everyone is getting an opportunity to do so – particularly but not only in their areas of expertise.
- 37 At times, in the face of considerable external pressure, some challenge has been interpreted as less constructive. This should lessen as the stresses on the organisation subside and it moves to a more “business as usual” state, allowing the Board to start to become more strategic.
- 38 As the Board changes, investing in relationships will be key, and the arrival of two new NEDs in April is a good opportunity to reflect on how best to do that. However, the focus should not only be on the newest NEDs. Others who have recently joined the Board have only met their

colleagues a few times in person and all NEDs would value more informal contact. While relationships have held up reasonably well, meeting virtually has presented significant challenges (as it has for all boards) and these may continue for some time yet.

- 39 The dinners that the Board held when it met in person were valued, and these should be resumed when possible. Other informal meetings between individual NEDs and executives will help to cement relationships. All NEDs are appreciative of their monthly catchups with the CEO which he recently instigated. NEDs are keen to continue to receive updates on business matters that go beyond the litigation and to understand how the strategy is being embedded.

Maintaining an effective management team

- 40 The new CEO, who was appointed 18 months ago, has a strong track record in retail and turnaround situations. The NEDs, his executive colleagues and government stakeholders all hold him in high regard, feeling he has made a strong start to the major task of transforming the Post Office. He has substantially refreshed the team, including critical roles such as the Chief Operating Officer and Group Chief Information Officer. His clear communications and results orientation are particularly commended, and this was evident at the board meeting we attended. He gave engaging and informative updates to the NEDs, responding well to their questions and challenges.
- 41 The CFO is also a good communicator who provides the Board with a clear perspective and insight on many historical matters, as well as a thorough presentation of the finances. The POL Board compares favourably with some other boards in the way many members of the executive team and senior managers participate in board and committee meetings. The CEO does not dominate, and, in this way, NEDs are able to get good insight into the wider team and their capabilities.
- 42 The CEO and CFO have been endeavouring to keep the board informed between formal reports. When executives make this a priority it can be helpful for them to receive feedback – whether positive or negative, or simply an acknowledgement. This helps them gauge whether they are hitting the right points and level of detail, and to judge how to juggle other demands on their time with keeping the Board well-informed.
- 43 The importance of getting and keeping the right senior team in place is universally recognised as a top priority. If POL is to resolve its legacy issues and successfully deliver on its strategy and transformation, it needs a strong and experienced group of executives with competitive remuneration packages that will reward them for success and help to retain them. As a public-sector body which competes with commercial organisations, attracting and remunerating high-calibre people can be a challenge for POL. However, the Remuneration Committee works hard at this, and takes a thoughtful approach to KPIs, incentives and remuneration more generally. It must operate within public-sector constraints, albeit with fewer limitations than central government or many other public bodies.
- 44 The POL Board could focus more on the development of the team, bench strength and critical skills. A lack of diversity among POL's management was also raised during interviews. The Board can influence this by holding the Executive to account on recruitment processes (at a minimum by setting an expectation of diverse shortlists and selection panels), and hearing

from management about how they are encouraging women and BAME employees to develop their careers at POL.

- 45 Discussion of the team has been squeezed over the last year due to the large number of other priorities. However, a discussion is planned at the next meeting, and we suggest that time is devoted to this every six months. Rather than making this an item along with many others at a board meeting, an alternative approach is for the NEDs to hold a regular session with the CEO on his own to discuss his views on the team and succession challenges. As part of these sessions, the CEO could provide an overview of the roles, skills and attributes that are needed in the team to deliver on POL goals. He could set out the extent to which these needs are currently being met in the existing team and his future plans for retention, management development and attracting new team members.
- 46 Many boards find it ideal to hold this discussion over dinner to ensure that it is a free-ranging and thorough one. However, you should not wait until this becomes possible again. A video discussion, while not as satisfying, can also be valuable. Questions were raised during our interviews as to the strength and depth of the team in critical areas such as transformation, finance, parcels and HR. While it is the role of the CEO rather than the Board to form and stabilise the team, these sessions could be a good forum for the CEO to use the NEDs as sounding boards, getting their guidance while at the same time keeping them informed as to how the team is settling and his plans for the future.

NED-only sessions

- 47 The NEDs should have more frequent private sessions without the executives present. NED-only sessions are a good practice for any board. They offer the opportunity for the non-executive directors to highlight areas of concern or simply where more discussion is needed. These are particularly important at POL given the scale of the change programme. The NEDs need to consider if the pace of delivery is sufficient and decide how much to challenge, recognising the strain the executives – and the organisation – are under.
- 48 One option would be to start each meeting with a brief NED-only session. Holding them at the start of meetings allows discussion on the upcoming meeting agenda and helps the Chairman to steer the meeting to cover areas of particular interest and concern to NEDs. It is also best if they take place routinely to avoid creating a sense of division between NEDs and managers. In any case, they should be kept short and the topics of discussion restricted to those that really need the private time. And they should not become a substitute discussion; often points should also be raised in the full forum, albeit possibly in a different way. It is good practice for the Chairman to provide a verbal summary to the CEO after each meeting, so that he/she is aware – as far as possible – of what was discussed.

Remuneration

- 49 The Remuneration Committee we observed was thorough in its consideration of a range of remuneration questions. Balanced KPIs are being developed, including postmaster metrics, which will impact bonuses. The Committee has a heavy workload and discussions can take some time given the complex and conflicting requirements to be taken into consideration including:

- Navigating the different remuneration philosophies underpinning private-sector vs public-sector pay levels, incentives and benefits.
 - Balancing incentives for profitability and self-sustainability with cultural objectives and the social purpose.
 - Balancing current performance with external pressures: POL's current executive team were not in post when the Horizon issues took place, but the public prominence of the cases has an inevitable impact on remuneration decisions.
 - Paying for real results: the RemCo has the role of ensuring that targets are stretching but achievable, and that pay-outs are linked to genuine results in terms of delivery of strategic goals.
- 50 The Committee is focusing well on these different aspects, none of which have easy answers. A "mid-term" incentive plan has recently been agreed to take the place of the short-term incentive programme. It takes a pragmatic approach and has been successful in agreeing with HMG elements of remuneration that are commercial ones.
- 51 The Committee has recently changed external remuneration advisor, following a thorough tender process. The best advisors are able to do more than provide data and benchmarking. As an independent party, they can help reconcile various positions and assist the Committee to find a sensible way forward, taking into account all stakeholders. The new advisor could usefully be invited to attend the entirety of committee meetings. This would help them to develop a good understanding of the unique circumstances and history of POL and to provide strong support for the RemCo in future.

Cultural transformation

- 52 The POL Board and Executive are highly attuned to the need to transform the culture and everyone is determined to make this happen. The postmasters are very much in focus now with the objective to put them at the heart of the new strategy and with postmaster-friendly behaviours being targeted. What will be important in coming months is to build momentum around this, ensuring that the Board is able to give it enough focus in helping the Executive to drive the necessary changes. Culture change is a complex and long-term project, and the Board will need to constantly challenge itself on whether it is making enough time – both in formal meetings and outside the boardroom – to make sure that the management team are pushing the pace.
- 53 The Board has a number of sources of information to support it in overseeing how the culture is developing and in holding the Executive to account in this area:
- As already mentioned, NEDs have good exposure to a range of managers at meetings, and they are given the opportunity to voice their opinions. Hearing from the wider team and seeing how they interact with the CEO is an important source of insight.
 - A consultation among postmasters is taking place with independent consultants involved. The Board plans to debate the results when they are complete.

- Various NEDs are in touch with staff according to their own specialisms and interests. The Chair and the shareholder NED are a visible presence in the office and the Audit Committee Chair takes part in a Women in Leadership forum and interacts often with key audit/compliance staff. Other NEDs interact regularly with various teams including IT and mails.

54 This can be supplemented in future by:

- Hearing regularly from the postmaster NEDs. Once they have settled in, we suggest that you include an update from them on the postmaster perspective as a standing item, at least initially.
- Periodically allocating time on the agenda to consider the target values and behaviours that are currently under development, and to hearing from executives on how they are encouraging these behaviours through training, communications, performance management, promotions etc. The culture shift is currently permeating many discussions and it is important that the Board continues to make these links, especially in terms of how the culture is underpinning the strategy. But the importance of the topic for POL means that it also merits its own agenda item on a regular basis.
- Agreeing indicators to give the Board and Executive an objective way to measure how the culture is changing. A NED suggested a “postmaster dashboard” and this could be extended to include employees too, becoming a “culture dashboard” for the business more generally. We see organisations getting value from this approach, including, for example, response levels from employee and postmaster surveys, customer NPS scores, customer complaints, internal audit findings, absenteeism, turnover and data on relevant training.
- Speak-up lines can also provide an important source of information about behaviour from the “coalface”. We understand the whistleblowing policy is currently under review for consideration in March. This will be a good opportunity to look at the effectiveness of whistleblowing and other speak-up procedures: whether employees and postmasters have effective and safe channels to escalate concerns and whether the concerns are being dealt with appropriately. NEDs should have timely reporting on cases as well as hearing from the Executive on the trends.

55 In addition to the reporting to the Board, NEDs need to ensure they are going out and about and “sniffing” the culture for themselves – meeting people at different levels in different parts of the organisation. Pre-pandemic, this was happening to some extent, but we see some other boards being more systematic. The Secretariat could develop a comprehensive post-pandemic programme for all NEDs to get out and about in order to meet employees and postmasters. You should not rely only on the postmaster NEDs for this. Some ideas you could explore, which we see other boards using, include:

- Holding one or two meetings a year at a site outside head office and combining it with interaction with employees and branches.
- Visiting individually or in pairs, which allows for more informal conversations than if the Board descends en masse for a “royal visit”. New NEDs are likely to be visiting sites and teams as part of their induction, and all NEDs might try to do this once a year, perhaps accompanying new NEDs on their induction visits to get to know them.

- NEDs spending an afternoon listening in at a call centre or listening to recorded calls.
 - NEDs dropping in when they are in the vicinity of branch. Some NEDs do this but a more extensive “mystery shopper” approach could be developed as well as planned visits.
 - Extending a wider invitation for groups of employees to join the Board for an informal breakfast before board meetings or for a “speed-dating” session, in which NEDs meet a number of lower-level managers in succession for brief discussions over the course of a couple of hours.
 - Individual NEDs hosting focus groups of employees to hear their views first-hand on a range of topical questions. Many designated “workforce NEDs” are undertaking such focus groups with the support of executives, although not all reliance should be placed on one NED. With the major shift towards hearing the postmaster perspective, several interviewees perceive a risk of the employee voice not being sufficiently heard, and the Board needs to ensure it is balancing all of the various stakeholders.
- 56 This may seem a long list of things for NEDs to do, but the emphasis here should be on not overdoing it. You should use a systematic approach to spread the NEDs over a representative sample of managers, employees and branches, without overburdening them or distracting teams with a stream of visitors. The aim should be to ensure that NEDs’ time interacting outside the boardroom is well spent on keeping in touch with a wide selection of people and viewpoints.
- 57 The large burden on NEDs’ time of the litigation is a limiting factor and the pandemic is another, as visits are not possible. However, virtual interaction also has its place and could be useful even after the pandemic. Some practices we have seen elsewhere include NEDs holding virtual meetings with small groups of employees to find out about their experiences, virtual site visits (either live or pre-prepared video clips to show during board meetings) and special employee pulse surveys.

Risk, controls and “grounded trust”

- 58 At present, the Board is heavily involved in supporting managers to transform POL and put it on the path to a more financially sustainable future. As you put the remaining legacy issues behind you, you should aim to move to a position where you can step away from involvement in operational matters and concentrate on providing strategic oversight and leadership. For this to happen, NEDs must be confident that the organisation is well run and under control. In other words, the Board needs to have “grounded trust”: confidence based on both quantitative and qualitative evidence that things are working well.
- 59 This will be a complex mix of ingredients. Core components include risk management, internal control, compliance and assurance. Decision-making processes, operational systems and processes, executive level governance, accountability and values, and culture as already discussed above are also important. For the POL Board and committees, maintaining grounded trust in these areas will be crucial, with the work of the Audit & Risk Committee (ARC) being central to achieving this over the core components.

The risk management framework

- 60 We understand that good progress has been made over the last two years on overhauling the risk management framework and processes and on embedding risk management more fully at all levels. Although this remains a work in progress, active oversight and guidance by the ARC has been important in maintaining momentum and direction. Considerable time is regularly given to risk management in the ARC agenda, and the Committee is continuously pushing for the organisation to move into the next stage of maturity. The Committee Chair makes a direct contribution in terms of the encouragement and advice she gives to the Chief Risk Officer (CRO).
- 61 Changes so far include better reporting to the ARC around the risk register as well as pushing risk identification and monitoring processes further into the business. This is giving the ARC increased confidence that a “risk-aware culture” is beginning to take hold across the organisation and that it is supported by sound processes.
- 62 The detailed Risk Register report provided by the CRO is well structured and informative. It is complemented by deeper dives into specific areas of the business at given points throughout the year. Such register-based reports have a tendency towards being very detailed, which is appreciated by the ARC members as they look to satisfy themselves that risks are being identified and mitigated. Nonetheless, the report would benefit from a more effective overview giving the CRO’s opinion on the main gross and net exposures, emerging risks and his subjective concerns. This would help ensure that the ARC’s discussions are focused on the areas needing particular attention.
- 63 Now would be a good time for the ARC to work with the Executive to map out the future development of risk management, building on the progress already made. This mapping should consider what POL needs to achieve from its risk management and how it will get there. Without clear objectives and benefits, there is a danger that the next stages of development may suffer from an overemphasis on structure and process. The risk management framework is more likely to be implemented effectively and become embedded if the strategic and operational value to be gained is evident.
- 64 We observed a tendency for the discussions to be focused on method, categorisation and definition, with less consideration of strategic issues around whether controls are working or the implementation of GLO initiatives. As the risk framework continues to develop, ARC time would be better spent on gaining a greater understanding of how management are responding to the critical risks, both current and emerging. If these can be surfaced more effectively in a short narrative paper, the ARC can focus more quickly on what matters most, as well as allowing time for the NEDs to raise their concerns and input their thinking.
- 65 Furthermore, the ARC is currently encouraging management to develop a structured approach to defining risk appetite across its operations so that risk exposures can be monitored against the defined appetites. While this is a valuable approach in financial services firms, it may not be suitable for a business-like POL. As we saw happening to a degree in the meeting we observed, there is a danger that the focus will be overly on definitions and categorisation. Instead, it needs to be on how the concept can be used to strengthen management and operational decision-making.

66 We suggest the ARC develop a more comprehensive approach in conjunction with the Executive and the full Board. We see five main elements to the way a board needs to approach risk, and the POL Board can work further on these over the next few years. In Appendix 3 we provide fuller guidance on each element but, in summary, the oversight approach could be developed around a structure with five elements:

- Strategic Risk Management: setting out the principal risks and confirming the acceptance of risks (individual or the risk profile).
- Risk Monitoring: bringing together a risk picture through the risk register, risk assessment, emerging risk evaluation, response tracking.
- Risk Management Effectiveness: assessing the impact of risk management on the way the business is run including looking at the risk culture/behaviours.
- Risk Communication: the reporting that has to underpin the other three aspects.
- Risk Discussion: the focus and style of oversight discussion at board and executive levels.

67 Across these five elements, we feel that the POL Board would benefit from a clear and integrated view of what it wants to achieve, and of how it will get there in a way that is helpful to management.

Compliance

68 The ARC gives good focus to the compliance agenda, with regular reports giving confidence that this is managed well. These include providing detailed process mapping and explanations as to how self-assessment and tracking processes are helping to drive a stronger compliance mindset into the First Line.

69 As with risk management, the ARC now needs to identify the point at which it has sufficient “grounded trust” in the processes to allow itself more space to discuss points such as behaviours, the postmaster experience and ownership/accountability which are fundamental to achieving the necessary shift in the culture of the business. Although there were some short-lived attempts to raise this sort of point during the meeting we observed, they gained little traction, in part because of a tendency to focus on definition and process.

Assurance

70 Good progress appears to have been made in building solid internal audit processes into the way POL works. We heard how the ARC has played a helpful role in getting to this point, including valuable guidance and attention provided by the Committee Chair. The reporting to the ARC is well structured and helps the committee members to focus on the main issues. In addition, oversight of the co-sourcing partner seems to work well through the Head of Internal Audit. For their part, committee members are felt to prepare thoroughly, through attentive review of the internal audit reports, with the result that questions around root causes and thematic issues are surfaced.

71 To take work in this area to the next level, one possibility is for the ARC to oversee the development of a risk controls assurance map. This would help to give management and directors confidence that the risks are comprehensively covered both in terms of the response

to new and existing risks and by giving assurance over the quality of the controls and mitigators. It will be important, however, to ensure that this is not over-engineered and does not become unwieldy. Also, it should be drawn together across risk, compliance and audit to ensure an integrated picture. But, used effectively, it can become a very useful oversight tool.

- 72 In addition, the Head of Internal Audit could be invited to play an expanded role in ARC meetings. An experienced Head of IA should be well placed to comment on numerous aspects of the activity overseen by the ARC, but we did not see him being involved in this way, which seems like a missed opportunity.
- 73 As one final point, the ARC should satisfy itself that IT and data protection-related risks are getting sufficient discussion on a regular basis. The IT controls assessment discussion at the meeting we observed was short, even though it had not appeared on the agenda “for some time”. Given the severity of the risks in this area and the speed at which they can change, the ARC should make sure it is giving enough attention to this area. The discussion needs to take a wide-ranging view, for example including discussion of the supplier risk (as was raised in the meeting but not discussed). We also suggest that the ARC consider whether it has enough technical knowledge to be able to ask the right questions, and how it might draw in the IT experience that is on the Board but is not on the ARC itself.

Quick wins

- 74 Listed below are a number of other smaller suggestions for the Board and committees, set out in no particular order.

Meetings

- 75 POL board meetings are long and intense given the number of important topics to be discussed. Breaks should be planned if a meeting is due to last for two hours or more, to maintain energy. These should be included in the agenda with the Chair of meetings ensuring that they are actually taken. At the five-hour board meeting we attended, there was only one 15-minute break.
- 76 Additionally, the ARC and Board meetings could be scheduled on different days, at least while you are meeting virtually, in order for exhaustion not to set in later in the day.
- 77 It is worth planning proactively for how you will use virtual meetings in future. Short updates and committee meetings when the agenda is light might continue to be virtual.
- 78 A clearer section of the board agenda could be allocated to committee reports to ensure that those not attending get a view of what has been discussed and have an opportunity to input. Additionally, the NED with specialist IT skills could be invited to attend some parts of ARC meetings, particularly when areas requiring specialist knowledge are being discussed.

Executives attending the Remuneration Committee

- 79 There could be more procedural clarity around executives attending the Remco. At the Remco meeting we attended, the CEO and CFO were present throughout. It is useful for the CEO, and sometimes the CFO, to attend for part of the meeting so that their perspectives can be gained, and we understand they are not present when their own pay is being discussed.

But it would be good for each Remco meeting to allocate some time for the NEDs on their own with the Remuneration Advisor to deliberate on targets, for example, and reach decisions on these without the executives being in the room. If agreed in advance, there should be no awkwardness about asking executives to leave the meeting.

- 80 The POL Board will want to set clear expectations of the CEO as the transformation progresses, giving him regular feedback. We observed a good discussion on the CEO's objectives at the Remco, but this could also usefully be discussed by the NEDs alone, without the CEO present. The Chairman could also use this discussion to solicit the views of the NEDs on the CEO's performance and their future expectations, which he can then feed back to the CEO.

Feedback to NEDs

- 81 Chairman feedback to NEDs could be given annually in a more structured way, with a brief record kept of the conversations that have taken place. These conversations are a useful opportunity to discuss with each individual their future expectations in terms of tenure, how they can contribute effectively in and outside the boardroom, as well as identifying any development needs.

And finally...

- 82 The Post Office is an instantly recognisable brand fulfilling an essential service in the UK. The current Board and Executive have worked hard to address legacy problems and to put the organisation on a firmer footing. This review comes at a pivotal time as the intense work on historical litigation reaches its final stages, and the Board can begin to move to a more typical, strategic oversight role.
- 83 Everyone we interviewed wants to ensure that the POL Board continues to develop its effectiveness. With this in mind, after you have debated the suggestions in this report, the Secretariat should create an action plan and assign responsibility for each action. Progress against the plan can then be reviewed in a year's time using a questionnaire. Looking further ahead, POL would benefit from an external board review every three years with questionnaire-based self-evaluations in the interim.
- 84 The areas for development outlined in this report should not detract from the strengths of the POL Board which we have identified. They include a committed, hard-working group of NEDs and executives with a good mix of skills, positive meeting dynamics, a strong alignment of purpose and an effective Chairman. The suggestions in this report are designed to help you to build on these strengths as you oversee the continued transition of POL to a competitive and self-sustaining organisation.

Appendix 1: What we did

We reviewed the effectiveness of the Board of Post Office Limited and its Committees.

This report is based on five main strands of work:

- a review of board and committee papers
- interviews with all members of the Board, executives who interact with the Board and the Company Secretary (listed below)
- observation of an Audit and Risk Committee meeting and Board meeting on 26 January 2021 and the Nomination and Remuneration Committees on 9 February 2021
- quality assurance review of the report by an IAL director who was not otherwise involved in the review
- analysis of what we learnt, drafting the report and discussing it with the Chairman. This did not result in any significant revisions.

██████████	Head of Internal Audit
Veronica Branton	Company Secretary
Alisdair Cameron	Group Chief Financial Officer
Lisa Cherry	Group Chief People Officer
Tom Cooper	Non-Executive Director
Carl Cresswell	Director, Professional & Business Services, Retail and Post, BEIS
Ben Foat	Group General Counsel
Lisa Harrington	Non-Executive Director
██████████	Postmaster Effectiveness Director
Ken McCall	Senior Independent Director
Tim Parker	Chairman
Zarin Patel	Non-Executive Director
Andrew Paynter	PwC External Audit Partner
Nick Read	Group Chief Executive Officer
██████████	Director – Historical Matters
Carla Stent	Non-Executive Director
Owen Woodley	Group Chief Commercial Officer

Appendix 2: Strengthening risk governance

“Risk” and “risk management” are used widely and readily across all types of organisations and at many different levels. To strengthen risk oversight at the governance level, a board needs to tackle:

1. **Strategic Risk Management:** the principal risks, risk appetite or tolerance, and risk acceptance
2. **Risk Monitoring:** the risk register, risk assessment, emerging risk evaluation, response tracking
3. **Risk Management Effectiveness:** a review framework; impact review; risk culture/behaviours
4. **Risk Communication:** the reporting that has to underpin the other three aspects
5. **Risk Discussion:** the focus and style of oversight discussions.

Post Office Limited: our detailed suggestions

The ARC could use this five-point framework to develop a view of how its oversight needs to look. This will allow it to start “moving along the strategic-operational spectrum” and adding more value to the business through its oversight.

- **Strategic risk management.** As well as clarifying what it wants to achieve through the risk appetite approach and how this will strengthen governance and control, the ARC and Board can make better use of the principal risk concept as part of its strategic decision-making, risk monitoring and mitigation.
- **Risk monitoring.** The ARC has, as noted above, made good progress in overseeing the development of the risk register into a tool for risk assessment, emerging risk evaluation and response tracking. Now it can focus more on how the risk register process and outputs are changing behaviours and decision making. It can also consider how the report can best be used to focus ARC oversight on a more limited number of the more fundamental risks.
- **Assessing risk management effectiveness.** The ARC has, largely by necessity, been focused on checking that the development of the processes and structures has made good progress. The next step is for it to concentrate on the wider question of how far the risk management framework is actually having an impact on the way POL is working. An important part of this is to consider how far the target risk culture is reflected in day-to-day behaviours. ARC papers and meetings could give more prominence to this. If done with an eye on actionable suggestions, this leads to a practical development plan across the risk management framework.
- **Risk communication.** Once there is confidence that the risk management processes can be relied on to tackle risk exposures to the required level, the reporting can move to a more strategic level, with the ARC receiving risk-related information which is structured for board level oversight discussion. This should largely come from analytical narrative and opinion, rather than being dependent on risk categorisation, impact/probability assessments and attempts to quantify non-financial risks through Key Risk Indicators.
- **Risk discussion.** We saw a tendency for the discussions to be focused on method, categorisation and definition, with less consideration of strategic issues around whether controls are working or the implementation of GLO initiatives. As the risk framework continues to develop, ARC time would be better spent on gaining a greater understanding of how management are responding to the critical risks, both current and emerging. If these can be

surfaced more effectively in a short narrative paper, the ARC can focus more quickly on what matters most, as well as allowing time for the NEDs to input their thinking.

Guidance on developing the risk oversight approach

A board (and its committees) needs to determine what it needs to do across these aspects: What are we trying to achieve? What do we have to get right? What do “effective risk management” and effective risk oversight look like? All adding up to addressing the core question:

How far is our risk management having an impact on the way we run the organisation?

The questions to be answered are extensive but here we set out some of the main questions you should think through to arrive at practical solutions that are of value to management as well as to board-level oversight.

Strategic Risk Management

- Is the Board clear on its target risk profile? What do management need from this?
- If the concept of “risk appetite” is being used, is the purpose understood? Is it useful?
- What is the purpose of defining the “principal risks”? What is it they are putting at risk?
- How far do risk discussions align with, and form part of, our strategy?
- How are the risks tied into reporting on strategic performance/milestones?
- How is the uncertainty of achieving financial and non-financial targets considered?
- How are risks/response set out in papers provided to support board decision-making?
- How far is the board explicitly accepting risks in its strategic decisions?
- How is the risk/reward balance presented and considered?

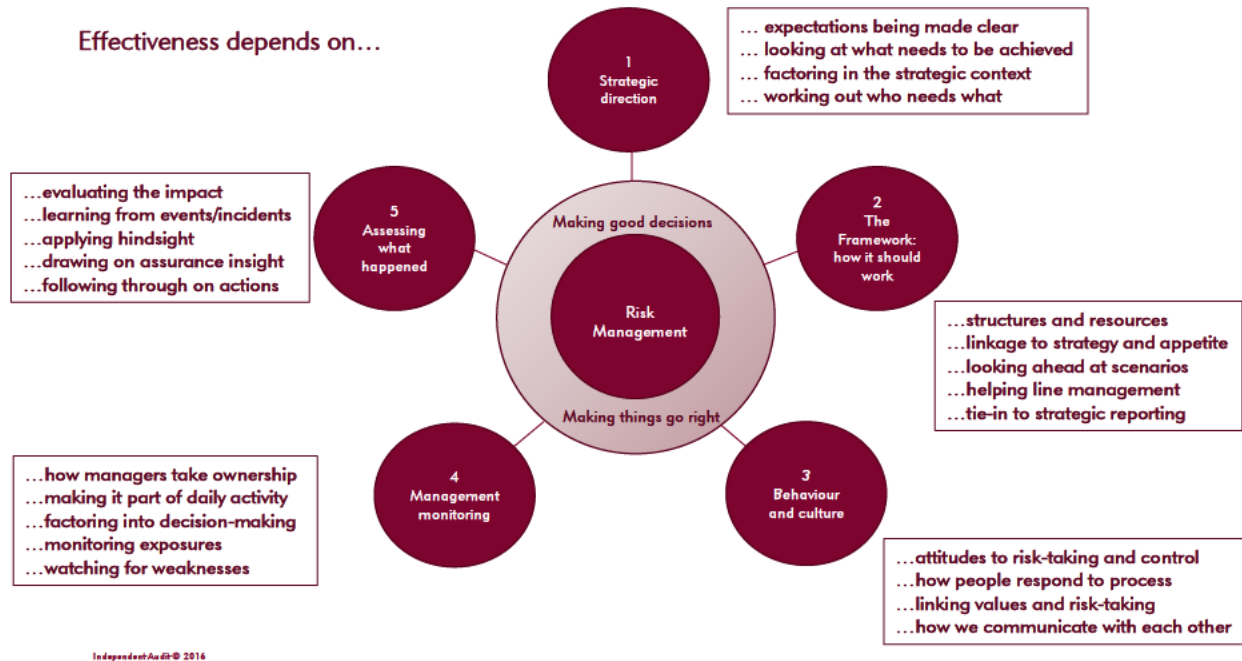
Risk Monitoring

- How does the board audit/risk committee (A/RC) get line of sight on how the risk register is put together and used across the three lines of defence?
- How far is the way the risk register brought to the A/RC useful for oversight of risk exposures (scale, change, emerging?) Does the probability/impact and RAG classification work in focusing attention on the right areas? Is the gross versus net distinction clear?
- How is director/committee thinking and challenge reflected in assessment and tracking?
- How is risk-control-assurance mapping used to highlight gaps in the response?
- How is the register/heat map/mapping integrated across the second and third lines to support an integrated picture for oversight purposes?
- How are (1) management and (2) the board standing back and asking how far the identified principal and high-level risks are reflecting the big things that could go wrong?

Risk Management Effectiveness

- Is the A/RC assessing effectiveness in terms of the impact on the organisation – or just checking that structures and processes are in line with what’s expected?
- Are the different aspects of what makes up effectiveness being considered? These are set out in the Independent Audit model of Risk Management Effectiveness:

Effectiveness depends on...



Risk Communication

- How is risk reporting to the board and committee tied into strategic goals and plans, the business model, the primary levers of success, changes in the external environment..?
- Is the uncertainty of reaching goals/targets reflected in management reporting?
- Is reporting driven by the process and risk classifications – or is narrative surfacing the exposures and response weaknesses that really matter?
- Are management – and the 2nd and 3rd lines – giving their opinions?
- Are the First Line risk owners being put under the spotlight?
- Is an integrated picture across Assurance, Risk & Compliance provided?
- How are project management risks communicated? Are accountabilities clear?
- How is the picture of soft controls and the behavioural/cultural influences presented?
- Do external communications align with strategic and operational assessments?

Risk Discussion

- How far does discussion ask about the impact on the organisation and the strategy – rather than the process, the definitions and the classifications?
- How is siloing of the discussions across audit/risk/compliance avoided?
- Is the behavioural angle consistently considered as part of a root cause debate?
- How does the discussion lead to clear leadership around risks and the risk environment?

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POST OFFICE LIMITED

Review of the effectiveness of the Board and Committees

List of suggestions

March 2021

Confidential



INDEPENDENT AUDIT
BOARD REVIEW



The suggestions listed overleaf cover the main areas for improvement identified in the review of the Post Office Board. They should be read in conjunction with the review report. These suggestions are intended as a starting point for the Board to consider as it develops its response to the review and its own action plan.

List of Suggestions

List of main suggestions	Para no
Focus and balance	
1. Strike the right balance in agendas, discussion and pre-papers between dealing with historical issues, business as usual and the future	16-17
2. Create a forward agenda that extends to a full year supplemented by a "strategic governance map"	22-23
3. Continue to improve the papers, tying in appropriate KPIs and strategic goals, and removing unnecessary information	20-25
Composition, succession and dynamics	
4. Prepare carefully for the induction of postmaster NEDs to ensure they are integrated as directors on a par with existing NEDs	28-31
5. Stay on the front foot on succession, planning further ahead	35
6. Resume board dinners and informal catch ups to cement relationships	39
Maintaining an effective management team	
7. Increase focus on development of senior team, including regular discussions with the CEO	43-46
8. Hold regular private sessions of the NEDs without the executives	47-48
9. Make more use of external advisers at the Remuneration Committee	51
Cultural transformation	
10. Make time to specifically discuss culture, ensuring the right indicators and monitoring are in place, including surveys and speak-up reporting	52-54
11. Plan out how NED will "sniff" the culture themselves and organise events to meet more middle managers, postmasters and junior staff	55-57
Risk, controls and grounded trust	
12. ARC should encourage the CRO to provide an overview of current and emerging risks and share his subjective concerns	62
13. The Board, ARC and the Executive should work together to develop a strategic approach to risk management, with clear goals and outcomes	63-67

14. Consider developing a risk controls assurance map and ensure that data, IT and cyber risks are getting sufficient focus 71, 73

15. Encourage the Head of Internal Audit to play more active role in ARC meetings 72

Quick wins

16. Plan regular breaks 75

17. Schedule the ARC and the Board meetings on different days 76

18. Dedicate a clear section to committee reporting and leverage the expertise of particular NEDs on key topics 78

19. The Chairman to provide regular individual feedback to the NEDs 81

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POST OFFICE LIMITED BOARD REPORT

Title:	Board Review Recommendations	Meeting Date:	27 th July 2021
Author:	Veronica Branton, Company Secretary	Sponsor:	Tim Parker, Chairman

Input Sought

The Board is asked to **DISCUSS** and **APPROVE** the recommended actions linked to the Board review produced by Independent Audit Limited for 2020/21. The recommended actions for the Board are set out at Appendix 1 and map to the recommendations from the report. In sum, it is proposed that:

- A more structured Board forward plan for the year ahead is produced for the September Board meeting that builds in the areas the Board wants more focus on
- Board Directors provide their feedback on papers at the end of the next few meetings to help get the balance right on the information needed to take decisions while avoiding extraneous material
- The Board reverts to the pre-Covid pattern of holding Board dinners before most scheduled Board meetings
- Sessions with the CEO and the NEDs to discuss senior team development etc. are scheduled regularly (perhaps 3-4 per annum)
- NED only meetings are scheduled around most Board meetings, and before the Board dinner on the preceding evening where feasible
- A specific slot on organisation culture is included in the Board agenda periodically (perhaps bi-annually) in addition to regular updates
- The Company Secretariat Team develop a programme for the Board's consideration for NEDs to make branch visits and attend employee events etc. periodically
- A report back from the Committees is built back into the Board agendas
- The appraisal process instigated for each Non-Executive Director to meet the Chairman annually will continue.

The recommended actions for the Committees are also at Appendix 1 and are to **NOTE**.

The Board is also asked to **CONSIDER** the concept of a "hybrid" calendar where the main scheduled Board meetings are held in person but where shorter, and less strategic meetings are held remotely.

Previous Governance Oversight

The Board considered the report produced by Independent Audit Limited at its meeting on 30th March 2021.

Executive Summary

As recommended by the UK Corporate Governance Code, POL carries out an independently facilitated Board and Committee review every third year and runs internally facilitated reviews annually in the intervening years. [REDACTED] and [REDACTED] from Independent Audit Limited presented their Board and Committee review for POL for 2020/21 to the Board on 30th March 2021. This report and the summary of recommendations are in the **Reading Room**. The recommendations for the Board's consideration are at Appendix 1.

The report highlighted many Board strengths and ways of working that should continue; it also, and to nobody's surprise, noted the strain the Board and the executive have been under trying to respond to the historical matters while overseeing the running of the business during a pandemic, dealing with funding challenges and implementing the new strategy focussing on the core products and building a modern franchise that is postmaster-centric.

Whilst acknowledging the stretch, a clear message from the Board and the executives who were interviewed was that they wanted the Board to spend more time on strategy and the development of the business today, noting the need to identify growth opportunities, understand what we mean by social purpose and how this fits with being commercially sustainable and understand better the markets within which Post Office operates. There was also support for stepping back from the operational detail and building "grounded trust" to allow that to happen.

Questions addressed

1. What recommendations were made by Independent Audit Limited and which are we proposing adopting?

The recommended actions are at Appendix 1 with proposals for how these might be implemented and progress updates where applicable. There are a couple of administrative points on scheduling breaks and meetings where there is a balance to be struck with not taking up too much Board directors' time: your preferences should guide how this is managed.

2. What other recommendations are made and why?

Boards have had to adapt quickly to remote working and as we to return to more face-to-face working, some governance organisations, like Board Intelligence, have asked how we avoid reverting to the pre-pandemic norm without thinking about longer-term gains of new ways of working. One idea, is the hybrid calendar (as opposed to the hybrid meeting which may also be needed sometimes) so that meetings that are predominantly focussed on oversight rather than brainstorming or taking major decisions and/ or are shorter could be held remotely but the main Board meetings held in person. The Board could consider whether this approach should be adopted and, if so, which meetings it would continue to hold remotely.

Next Steps & Timelines

1. The ARC considered the response to the Independent Audit Limited Report proposed actions at its meeting on 18th May 2021 and the approach adopted is included in Appendix 1. The Remuneration Committee has adopted the recommendation to involve the Remuneration Committee adviser more at its meetings. The Nominations Committee will be considering succession planning at its next meeting.

2. The Nominations Committee will be asked to review progress with the implementation of the Board review actions agreed at its meeting on 30th November 2021.

Appendix 1

Recommendations from the Independent Audit Board Review 2020/21				
	Section/ recommendation	Adopt: Y/N	Proposed approach:	Progress:
	Focus and balance			
1.	Strike the right balance in agendas, discussion and pre-papers between dealing with historical issues, business as usual and the future. (16-17 of report)	Y	<p>The Board will be establishing a Board Committee to deal with Historical Remediation matters. Some decisions, especially those setting a precedent or establishing a principle, will still come to the Board, and the Statutory Inquiry also means that some Board attention will inevitably remain on historical matters.</p> <p>Mapping out and discussing the forward agenda at Board meetings may help get the balance right. The on-going challenge will be the new issues that crop up and overfull agendas.</p>	For the Board Strategy sessions this year, briefing sessions with pre-reading materials have been run but it has been for the NEDs to decide whether and which to attend; hopefully this provided the context for the Board discussions without making onerous demands on time.
2.	Create a forward agenda that extends to a full year supplemented by a "strategic governance map". (22-23 of report)	Y	Develop a more detailed Board forward agenda for the September Board meeting and allocate time to discuss this.	
3.	Continue to improve the papers, tying in appropriate KPIs and strategic goals, and removing unnecessary information. (20-25 of report)	y	<p>A template, guidance and briefing sessions for preparing papers for boards and committees are all in place (though not always adhered to in terms of paper length and adhering to the template).</p> <p>It may be helpful to get views at the end of the next few Board</p>	

Recommendations from the Independent Audit Board Review 2020/21				
	Section/ recommendation	Adopt: Y/N	Proposed approach:	Progress:
			meetings on the papers considered at that meeting and where: 1) there was information not included that would have helped you reach a decision; and, 2) where there was extraneous material or material that would have been better placed in the Reading Room. This feedback could be tied to the discussion on the forward agenda.	
	Composition, succession and dynamics			
4.	Prepare carefully for the induction of postmaster NEDs to ensure they are integrated as directors on a par with existing NEDs. (28-31 of report)	y	It has been an intensive induction programme for Elliot and Saf and their feedback of what worked and did not work will be helpful for planned inductions in the future (and indeed, what might be helpful for the non-statutory Postmaster Director when they join POL).	
5.	Stay on the front foot on succession, planning further ahead (35 of report)	y	Annual discussion to be scheduled for the Nominations Committee as well as any further discussions required for specific appointment.	On Nominations Committee forward plan for September 2021.
6.	Resume board dinners and informal catch ups to cement relationships (39 of report)	y	Revert to Board dinners the night before scheduled Board meeting.	A Board dinner will be held on 27 th July 2021 and the normal pattern should resume as long as no further lockdowns or restrictions are in force.

Recommendations from the Independent Audit Board Review 2020/21				
	Section/ recommendation	Adopt: Y/N	Proposed approach:	Progress:
	Maintaining an effective management team			
7.	Increase focus on development of senior team, including regular discussions with the CEO. (43-46 of report)		These sessions could be scheduled regularly around scheduled Board meetings (perhaps 3 – 4 times a year) and could held before or after the NED only sessions	To be scheduled for September 2021.
8.	Hold regular private sessions of the NEDs without the executives (47-48 of report)		A short NED session is proposed in advance of most scheduled Board meetings (potentially in advance of a Board dinner, when taking place).	NED only session scheduled for 26 th July 2021.
9.	Make more use of external advisers at the Remuneration Committee. (51 of report)	y	██████████ of Willis Towers Watson will attend the whole of the Remuneration Committee meeting and a session with the Committee and the adviser will be scheduled at the end of each meeting.	This approach was followed at the Remuneration Committee meeting held on 1 st July 2021.
	Cultural transformation			
10.	Make time to specifically discuss culture, ensuring the right indicators and monitoring are in place, including surveys and speak-up reporting. (52-54 of report)	y	Include on Board agendas periodically (perhaps bi-annually) and include updates in the CEO report and at the Remuneration Committee via the Group Chief People Officer's Report.	People Strategy slots are included on the Board agenda for 27 th July 2021 and for the September agenda which touches on issues such as ways of working.
11.	Plan out how NED will "sniff" the culture themselves and organise events to meet more middle managers, postmasters and junior staff. (55-57 of report)	y	CoSec to develop a programme for the Board's consideration to include periodic branch visits and attendance at employee events.	Include with the Board forward agenda at the September Board meeting.
	Risk, controls and grounded trust			

Recommendations from the Independent Audit Board Review 2020/21				
	Section/ recommendation	Adopt: Y/N	Proposed approach:	Progress:
12.	ARC should encourage the CRO to provide an overview of current and emerging risks and share his subjective concerns. (62 of report)		<p>The ARC has agreed that in addition to the Risk Dashboard that is already supplemented by a summary paper, the Head of Risk will ensure that an overview of current and emerging risks as well as his opinion on areas of concern etc. is included in this summary.</p> <p>Risk owners will be invited to ARC Committee meetings where a risk is outside of appetite or rated red (with exact criteria to be decided by the Head of Risk) or attendance has been requested by the Committee.</p>	Implemented and on-going.
13.	The Board, ARC and the Executive should work together to develop a strategic approach to risk management, with clear goals and outcomes. (63-67 of report)		<p>The ARC has agreed that the Risk Report should be developed to focus on how management are responding to the critical risks, both current and emerging, in a shorter more narrative paper. This should avoid too much focus on "method, categorisation and definition" and focus on how risk appetites can be used to strengthen management and operational decision-making.</p>	An update is proposed for September 2021 with the new approach targeted for March 2022.
14.	Consider developing a risk controls assurance map and ensure that data, IT and cyber risks are getting sufficient focus. (71, 73 of report)		<p>The ARC has agreed that a risk controls assurance map should be developed by Risk, Compliance & Audit together with</p>	The new approach is targeted for March 2022.

Recommendations from the Independent Audit Board Review 2020/21				
	Section/ recommendation	Adopt: Y/N	Proposed approach:	Progress:
			an annual Compliance Assurance Report.	
	Quick wins			
15.	Plan regular breaks. (75 of report)	?	There is a balance between not wanting to use up too much of Board directors' time and providing breaks during and between meetings. Overstretched agendas tend to squeeze out breaks but longer breaks can be included if that is the preference.	
16.	Schedule the ARC and the Board meetings on different days. (76 of report)	?	As above.	
17.	Dedicate a clear section to committee reporting and leverage the expertise of particular NEDs on key topics. (78 of report)	y	This has fallen away on occasion when the Board agenda has been overstretched and when most of the Board have attended the ARC and the Chair of the ARC has briefed those who are not members separately.	Committee update included for 27 th July 2021. Any further ideas for leveraging NED expertise would be welcomed but NEDs do seem active in their engagement with the parts of the business where they bring particular knowledge and expertise (e.g. Lisa with the IT and SPM teams; Ken with the Mails Team).
19.	The Chairman to provide regular individual feedback to the NEDs. (81 of report)	y	A formal annual appraisal process has been instigated.	Appraisal discussions took place with each of the NEDs in post during 2020/21 in June 2021.
	Additional question/ proposal			



Recommendations from the Independent Audit Board Review 2020/21				
	Section/ recommendation	Adopt: Y/N	Proposed approach:	Progress:
20.	The Board is asked to consider the concept of a "hybrid" calendar where the main scheduled Board meetings are held in person but where shorter, and less strategic meetings are held remotely.	N/A		



POST OFFICE LIMITED BOARD REPORT

Title:	Board and Committee Evaluations 2012/22	Meeting Date:	29 th March 2022
Author:	Veronica Branton, Company Secretary	Sponsor:	Zarin Patel, Senior Independent Director

Input Sought

The Board is asked to:

- **NOTE** and **DISCUSS** the Board and Committee evaluations for 2021/22 (**Appendix 1**). The Committees will consider their reports and proposed actions at their next scheduled meetings
- **APPROVE** the recommended actions to address points raised and areas which may require development.

Points raised/ areas for development:

1. Respondents have a high degree of confidence in how the Board is chaired, the commitment of the directors and the skills and composition of the Board.
2. The pressure of historical matters has continued to mean that the Board has had insufficient time to focus on strategy and key developments in the business, notwithstanding the very high number of meetings during the period. The areas flagged for development link to this and echo comments from recent evaluations:
 - i. time and focus have been required on historical matters
 - ii. there has been a desire for additional assurance from both the Board and the Shareholder given the backdrop of the historical matters and some decisions being sought late in the day and/ or with little optionality
 - iii. there is recognition of the pressure on management, driven by the demands of the historical matters and funding uncertainty, which in turn affects the materials provided to the Board, the time available to focus on running the business today, developing future strategy, understanding competitors and market developments, developing the Board and reviewing past decisions.
3. The Board would like more clarity over the role of the shareholder representative as distinct from the company's ownership structure with BEIS.
4. On a more positive note, time has been spent on Postmaster engagement, organisation culture and succession planning but in each case the view is that much more remains to be done and that other stakeholders, including customers and employees, should not be neglected.

Recommendations:

The Independent Audit Limited Board evaluation report for 2020/21 flagged the need for the development of “grounded trust” so that the Board can step back from the detail and spend more time on strategic discussions and the development of the business today. The Board has also reiterated the need for shorter Board papers, less reading material in total, and clearer recommendations from management. The pressure on Board agenda time is unlikely to recede immediately but to make progress:

- A target could be set to reduce the average Board pack to 180 pages over the year. The average Board pack for the scheduled meetings was 247 pages, ranging from 173 pages to 343 pages, before adding Reading Room materials. Board Intelligence research has suggested that board directors typically spend around 4 hours preparing for a board meeting, which with an average reading speed of 30 pages an hour would allow for a pack of c120 pages
- Sessions on different business areas (e.g. Mails, Banking, Digital Identity, IT, Insurance, Logistics) could be set up outside of Board meetings to ensure the areas the Board wants to focus more time on are not missed because of pressure on agenda time
- One respondent suggested that each of the directors nominates a previous decision for discussion at the Board during 2022/23
- One respondent suggested that the content of the July Strategy sessions be discussed by the Board at a meeting earlier in the year.

Previous Governance Oversight

The Nominations Committee approved the questionnaires at its meeting on 30th November 2021 and the Committee Chairs were asked for their input.

Executive Summary

The UK Corporate Governance Code and the Corporate Governance Code for Central Government Departments¹ both stipulate that there should be an annual evaluation of the Board and its Committees which should be externally facilitated at least once every third year.

Independent Audit Limited produced last year’s report which was presented to the Board in March 2021 and the recommendations flowing from the review were approved by the Board in July 2021. The report and summary of recommendations can be found in the Reading Room.

The Board questionnaire for 2021/22 mirrored that for 2019/20¹ to allow comparison across years.

The Board Directors, and Ben Foat, General Counsel, and Dan Zinner, Chief Operating Officer, who have been regular attendees at Board, were invited to participate in the Board Evaluation which they did. The questions, average scores and a summary of the findings are at Appendix 2. The Committee questionnaires also mirror 2019/20s.

Questions addressed

1. How have we implemented the actions from last year’s Board evaluation?
2. What are the findings from the Board Evaluation 2021/22?

¹ Bar minor modifications to reflect, for example, the sale of the Telecoms business.

Report

3. **Actions from the Board Evaluation 2020/21**

The actions from the Board Evaluation 2020/21 were:

- A more structured Board forward plan for the year ahead is produced for the September Board meeting that builds in the areas the Board wants more focus on
The governance map recommended by Independent Audit Limited has been included in the Board packs since September 2021. This is a forward plan of items but also includes all topics which should be covered during the year but which may not yet have a date identified for discussion.
- Board Directors provide their feedback on papers at the end of the next few meetings to help get the balance right on the information needed to take decisions while avoiding extraneous material
Feedback on papers has been included as a standing item under AOB on Board agendas.
- The Board reverts to the pre-Covid pattern of holding Board dinners before most scheduled Board meetings
Board dinners have taken place when lockdown measures have not been in place.
- Sessions with the CEO and the NEDs to discuss senior team development etc. are scheduled regularly (perhaps 3-4 per annum)
A session was held around the Nominations Committee meeting on 27th September 2021 and People Strategy was discussed again at the Board on 25th January 2022; however, further focus on talent and succession planning has been requested so needs to be scheduled for Nominations Committee, Board and/ or sessions with the CEO and NEDs, as required.
- NED only meetings are scheduled around most Board meetings, and before the Board dinner on the preceding evening where feasible
NED only sessions have been diarised.
- A specific slot on organisation culture is included in the Board agenda periodically (perhaps bi-annually) in addition to regular updates
People Strategy, including culture, was discussed at the Board meetings on 28th September 2021 and 25th January 2022. Culture has also threaded through the CEO report, reporting on Postmaster engagement and Improvement Development Group work to enable conformance with the Common Issues and Horizon Issues Judgments and implement other improvement work identified.
- The Company Secretariat Team develop a programme for the Board's consideration for NEDs to make branch visits and attend employee events etc. periodically
Further work is required but a day involving Branch visits with Area Managers and a plenary session with the Board is intended to be organised, with Board Strategy days planned for 12th and 13th July 2022. POL has established a Diversity & Inclusion Council and Saf Ismail, Zarin Patel and Carla Stent will be involved in overseeing and supporting its work.

The Board continues to receive the monthly Boardroom briefing from Pinsent Masons and the list of governance events offered by them, PWC and BEIS for Board directors.

- A report back from the Committees is built back into the Board agendas
This is included as a standing item on Board agendas.
- The appraisal process instigated for each Non-Executive Director to meet the Chairman annually will continue.

The Chairman held appraisal sessions in June and July 2021.

4. Findings 2021/22

All sections within the questionnaire² achieved an average score of 3 ('good/at the required standard') or above but a number of individual questions had an average score below this (2 = "requires development"). The highest scoring questions were:

Q.3	How would you assess the Chairman's encouragement of debate within the Board, including ensuring that all directors are able to contribute to the discussion?	4.3
Q.2	How would you rate the Board's understanding of the following areas of the Business and areas of business transformation: iii – Historical Postmaster Remediation v – Risk viii - Compliance ix - Corporate Governance requirements (including the increased focus on diversity and stakeholder reporting).	3.9 3.9 3.9 4.0
Q.27	How would you assess the Board's approach to considering the following stakeholder needs/ views when taking decisions: iii - Special Shareholder.	4.0
Q.1	How appropriate is the composition of the Board for the requirements of the business?	3.8
Q12.	The quality and value of NEDs' contributions at board meetings.	3.8

The lowest scoring questions were:

Q.7	How strong is the Board's understanding of the business' competitors?	2.5
Q.2	How would you rate the Board's understanding of the following areas of the Business and areas of business transformation: vii – Digital Identity	2.7
Q27. i.	How would you assess the Board's approach to considering the following stakeholder needs/ views when taking decisions: Customers	2.7

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

Q.11	How seriously does the Board take the development of individual directors and the Board as a whole, and where it needs to improve?	2.8
Q.19	How would you rate the quality of papers and presentations received by the Board?	2.8
Q.10	To what extent does the Board review past decisions?	2.9
Q.16	The level of insight provided by the UKGI representative into the strategic direction that the Shareholder aspires to	2.9
Q.18	How would you rate the management information received by the Board and its timeliness (i.e. is it the right information at the right time to provide you with the assurance you need and the understanding of the business you need)?	2.9

Next Steps & Timelines

5. The ARC, Remuneration Committee and Nominations Committee will be asked to consider their evaluation reports and proposed actions at their next scheduled meetings in May and June 2022.
6. The Nominations Committee will be asked to review progress with the implementation of the actions agreed from the Board Evaluation 2021/22 at its meeting on 27th September 2022.

Appendix 1

Board Evaluation Questionnaire 2021/22

Key:

5 = Excellent	4 = Very good	3 = good/ at required standard	2 = Requires development	1 = Requires significant development
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	Question	5	4	3	2	1	Non-Exec	Exec	Ave 2021/22	Ave 2019/20
A.	Skills, experience, diversity, knowledge									
1.	How appropriate is the composition of the Board for the requirements of the business?	3	5	4	1		3.8	3.8	3.8	4.0
2.	How would you rate the Board's understanding of the following areas of the Business and areas of business transformation:									
i	Retail	2	4	4	3		3.6	3.0	3.4	4.0
ii	Financial Services and Insurance	2	4	5	2		3.7	3.0	3.5	3.5
iii	Historical Postmaster Remediation	2	8	3			3.9	4.0	3.9	New Q
iv	IT		6	5	1	1	3.6	2.5	3.2	3.3
v	Risk	3	6	4			4.0	3.8	3.9	3.5
vi	Banking Framework		9	4			3.8	3.5	3.7	3.9
vii	Digital Identity		1	7	5		2.8	2.5	2.7	3.1
viii	Compliance	2	6	5			3.8	3.8	3.8	4.0
ix	Corporate Governance requirements (including the increased focus on diversity and stakeholder reporting)	3	7	3			4.1	3.8	4.0	3.9
x	Aligning all of the above into the work on Purpose, Strategy and Growth	2	3	8			3.6	3.5	3.5	3.4

Average for section =							3.7	3.3	3.6	3.6
Additional Comments:										
<ul style="list-style-type: none"> • Mails and logistics needs more experience at Executive level coupled with NED focus too. Over time as Banking Framework business increases I wonder if we need an additional NED with deeper FS experience. At some stage we also need to think seriously about digital capability, albeit it is still a developing strategy. • The Board has been operating under significant pressure for the last 2 years and so a number of things that the Board has requested in the past have fallen by the wayside under the pressure of other things which have higher priority. Examples are industry trends and updates on IT (the useful presentation on cloud services). Hopefully with less pressure on the main Board going forwards there can be more time for more strategic discussions. • Too much time spent on the minutiae of historical matters and not enough time spent on the strategy and execution of the current and future business. • Corporate governance and risk appetite with no meaningful conclusion has also taken up too much time. • New board members have added expertise in mails, IT and legal/ HMU. • Most Board members seem to have developed a good understanding of a complex business, which assists discussions about strategy and business transformation. • The Board POL is led by an exceptional chairman with outstanding NEDs particularly Zarin and Carla and more recently Ben. • POL has many components and can't focus on 1-2 areas. 										
B.	Leadership, ways of working, time management									
	Question	5	4	3	2	1	Non-Exec	Exec	Ave 2021/22	Ave 2019/20
3.	How would you assess the Chairman's encouragement of debate within the Board, including ensuring that all directors are able to contribute to the discussion?	4	9				4.3	4.3	4.3	4.0
4.	How effective is the Board at focussing on the right issues (e.g. gaining an appropriate level of assurance on how strategy is being implemented and the business is being run, setting strategy, providing support and challenge to management).	1	4	3	4	1	3.3	2.3	3.0	3.7
5.	How effective are the relationships between:									
	A. Board Members	2	6	4	1		4.1	2.8	3.7	4.1 (1 = N/A)
	B. Non-Executive Board Members and Management (in providing both support and challenge)	2	6	3	2		4.0	2.8	3.6	3.6 (1 = N/A)
Average for section:							3.9	3.1	3.7	3.8

Additional Comments:

- The Board has spent too much time on the specifics of the litigation with 60+meetings. This is helped by the HRC. However, the other areas within the history - have we done enough, do we treat Postmasters well, can this ever happen again, have had very little attention and need more. The individual NEDs are passionate and supportive but can drift into behaving like Executives rather than demanding strong performance from the Executives. This will be increasingly destructive if it isn't stopped. Finally, the relationship between the Board and the shareholder representative has deteriorated. Conflicts seem to be getting worse which leads to the SR not being invited to sessions: this is not a good sign.
- The Board composition is incredibly varied with a variety of subject matter expertise (IT, Legal, Financial Services, and Retail (particularly having two Postmaster NEDs). The Chairing is outstanding. Insightful and succinct oversight and challenge provided particularly by Zarin, Carla and Ben. The Shareholder representative is so effective that sometimes the balance with other NEDs and management is such that having an independent board is not always clearly apparent. That said, these issues are managed appropriately.
- The Board is understandably struggling to focus on strategy and improvement of the underlying business because of the intense nature of historical issues and the ongoing uncertainty in funding discussions. It is difficult to see these receding in the near term, but it is concerning. Board members seem to work well together and relationships with the executive team are positive, but inevitably strained a little by the impact of historical and funding issues on the business agenda and strategy.
- The asymmetry of the shareholder representative and the lack of independence he displays is a barrier to progress.
- The Board has operated well despite all the pressures. In particular, the postmaster NEDs have brought a very welcome perspective to our discussions and decision-making. In addition, Ben Tidswell has been a very valuable addition to the Board. As the Board has continued to grow and with such packed agendas time management is inevitably a challenge which Tim does extremely well. But I would like to hear more at the Board from other NEDs as I believe Carla, Zarin, Lisa and Ben have a huge amount to contribute and my sense is their perspective is sometimes missed or not heard sufficiently. As a result of the pressures the Board is under, the financials often don't get as much attention as perhaps they should. Good examples are legal costs but also the effectiveness of change spend (ie is POL getting value for the money being spent) do not get sufficient focus.
- I think as a board whilst we have managed well during lockdown but the lack of meeting in person and the huge workload has left little time for genuine debate. I can't see that this will change anytime soon, so I believe we need to think hard about how we create room for thoughtful debate rather than endless long papers that need processing. Starling is a good example of ending up with answer we started with. I also believe we have become overly risk averse (due to lack of trust in the organisation) that we are in danger of straying over the Executive line.
- there is recognition of the danger of the Non-Executives straying into executive territory but lengthy and over detailed papers and reading materials (which are not always on time) increase that risk.

C.	Decision-making and Risk									
6.	How would you assess the Board's consideration of risk when taking strategic and operational decisions?	2	5	4	1	1	3.7	3.0	3.5	3.5
7.	How strong is the Board's understanding of the business' competitors?	1	1	2	9	0	2.3	3.0	2.5	2.7

8.	How strong is the Board's understanding of the business' performance drivers?	2	2	5	4	0	3.2	3.0	3.2	3.7
9.	How effective is the <u>process</u> of board decision making?	0	5	7	1	0	3.3	3.3	3.3	3.6
10.	To what extent does the Board review past decisions?	1	2	5	3	1	2.9	3.0	2.9 (1 = N/A)	2.6
11.	How seriously does the Board take the development of individual directors and the Board as a whole, and where it needs to improve?	0	4	2	4	1	3.0	2.0	2.8 (2 = N/A)	2.8 (1 = N/A)
Average for section:							3.0	2.9	3.0	3.1
<ul style="list-style-type: none"> Board's consideration of risk and compliance is extraordinarily detailed and insightful. The Board agenda is very full and dominated by process-oriented decisions, leaving insufficient time for many of these matters. This is again a function of what is happening in the business but I expect all Board members would like to have more opportunity to look at drivers in the business, key competitors, opportunities and threats etc. Items presented for decision often seem to leave little room for viable alternative options, which suggest that the decision making process is reactive rather than proactive. There is little time spent on reviewing past decisions and there seems to be a pattern of items or topics returning to the board without benefitting from previous experience, guidance or even direction. It would be good to have more direct experience of different parts of the business eg site visits. Some board decision making is complicated by the ownership / funding structure The focus on the funding and HMU related matters has allowed little time for board development, although there has been support for the new NEDs and PM NEDS. Too often it feels like board fails to reach a decision quickly enough to capitalise on situations - I think this causes us to delay actions and outcomes resulting in missed opportunities There is limited evidence of development nor interest in discussing/debating it. See above - covered in comments about strategic and discussions sector developments. An example is [REDACTED] where the company has some interesting strategic choices. Thanks to other priorities and Covid, we have not discussed this business in any detail for a couple of years or so. Now that the market is recovering, this might be an ideal time to revisit the topic. Q10 on prior decisions has been a question in a number of effectiveness reviews and some change to current practice is needed if we are going to take this seriously. I suggest we as each of the directors to nominate a previous decision for discussion at the Board during 2022/23. On Q11, I think the Board would benefit most from opportunities to learn about the mails sector, retail banking and IT. These don't need to take place in Board meetings themselves – an informal session with experts outside of formal Board time would probably be more effective. As already noted in section above the Board need to take a step back and really focus on the big existential strategic questions a bit more and draw back from areas where the executive team have a strong handle on performance. 										
D.	Specific Questions for Non-Executive Directors, Executive Directors and UKGI Representative									
12.	The quality and value of NEDs' contributions at board meetings?	3	4	6	0	0	3.9	3.5	3.8	4.1

13.	To what extent do NEDs get involved in issues outside the Boardroom?	2	5	5	1	0	3.7	3.5	3.6	3.9
14.	How effective are the EDs in assisting the Board's understanding of the business issues?	2	5	5	1	0	3.4	4.0	3.6	4.0 (1=N/A)
15.	To what extent do the EDs act in a collegiate manner with the overall interests of the business in mind?	2	5	5	1	0	3.4	4.0	3.6	4.0 (1=N/A)
16.	The level of insight provided by the UKGI representative into the strategic direction that the Shareholder aspires to.	1	4	2	3	2	3.3	2.3	2.9 (1 = N/A)	3.7 (1=N/A)
17.	The level of engagement and contribution made by the UKGI representative.	1	5	5	1	0	3.8	3.0	3.5 (1 = N/A)	3.7 (1 = N/A)
Average for section:							3.6	3.4	3.5	3.9
Additional Comments:										
<ul style="list-style-type: none"> It is not always clear where the SR is representing the Minister/SoS view as shareholder. Some NEDs are role models and industry leading in challenging management with the right tone and behaviour whilst others may adopt an adversarial approach. The Shareholder Representative is extraordinarily competent and provides extraordinarily detailed oversight. The funding discussions with the shareholder seem to have involved a degree of disconnect within government - not Tom's fault, but it has had the consequence that POL has been taken by surprise on the funding position in an unhelpful way. Issues seem to have been well aired by the Executive prior to coming to the Board, although sometimes a clearer management recommendation would be helpful. It is sometimes difficult to know whether the shareholder rep is reflecting his own or UKGI's view of the business or, whether he represents the policy and direction proposed by BEIS... this can come across as conflicting. 										
E.	Information and Support									
18.	How would you rate the management information received by the Board and its timeliness (i.e. is it the right information at the right time to provide you with the assurance you need and the understanding of the business you need)?	1	2	6	3	1	3.0	2.8	2.9	3.1
19.	How would you rate the quality of papers and presentations received by the Board?	1	1	6	4	1	2.8	2.8	2.8	3.3

20.	How effective are the Board Committees at communicating decisions and outcomes to the full Board?	1	6	3	1	0	3.7	3.5	3.6 (2 = N/A)	3.7 (1 = N/A)
21.	How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required?)	2	5	5	1	0	3.9	3.0	3.6	4.1
22.	Does the Board feel that the frequency and length of meetings are appropriate?		2021/21 Yes = 9 No = 3 N/A = 1				2019/20 Yes = 8 No = 2			
23.	Are issues brought to the Board at an appropriate time?		Yes = 9 No = 3 N/A = 1				Yes = 8 No = 1 (1 = N/A)			
24.	Are there any issues or topics <i>that are not discussed</i> that should be considered at the Board?		Yes = 12 No = 1				Yes = 5 No = 5			

Additional Comments:

- Postmaster experiences, Independence of the Board
- 1. What's the purpose of POL after it has addressed the past and undertaken SPM. ie beyond 3 years. Banking Framework and Mails are unlikely to achieve the long-term sustainability for the organisation. The shareholder purports that it wants a commercially sustainable network but doesn't offer the funding to achieve that.
- 2. New working behaviours in a post covid world and expectations about work/life balance (suggestions of 4 day week 80%;100% effectiveness;). Understandably the Board is very focused on Postmasters but other stakeholders such as employees and the work environment could be considered more. Afterall it is the employees who will execute on the work, so POL needs to attract and retain.
- Board papers are too long and the overall board pack is heavy work. Shorter papers and a more consistent approach to additional reading would be helpful. As noted above, issues are sometimes presented when there is no real optionality, which might not be the case if the item was escalated at an earlier stage. The emphasis on historical matters and uncertainty in the funding situation mean that insufficient time is spent on forward looking strategic issues. It would be good to have a discussion about what we want to cover at the annual strategy day well in advance of the actual meeting (at the March Board, for example).
- Most topics are brought to the board in time for decision making and the decisions around procurement have improved in the last 12-18 months
- The papers are long and can be repetitive - but they do contain the full extent of the information available and the thought process to support the recommendation
- The focus on funding and HMU related matter has meant that some BAU topics have had to be reprioritised
- Organisational Health and the drivers of poor health that are within the power of the Board to change (not Executive accountability areas, which account for most of the drivers)
- unknown unknowns are hard to know! I have said yes, because to say no implies it never happens...if there was an "I'm not sure" option I would have ticked that
- Succession Planning and Team capabilities

<ul style="list-style-type: none"> ESG We have begun to discuss succession more, but this will remain a key challenge for the management team and requires increased focus. We look at strategy but once a year and I see other boards being much closer to ensuring the agreed strategy is being delivered. As said before I fear NEDs are getting overly operational. 										
25.	How effective are the communications between the Board and the management between formal meetings?	0	3	7	3	0	2.9	3.3	3.0	4.0
26.	Does the Board have sufficient time in private (either formally or informally) to discuss matters of concern?		<u>2021/21</u> Yes = 7 No = 4 N/A = 2				<u>2019/20</u> Yes = 7 No = 2 N/A = 0			
Average for section:			<u>2021/21</u> 3.1 (exec average) 3.3 (non-exec average) 3.2 (average)				<u>2019/20</u> 3.3 (exec average) 3.8 (non-exec average) 3.7 (average)			
Additional Comments:										
<ul style="list-style-type: none"> The Board works extraordinarily hard and long hours relative to other Boards. They ought to be commended for their incredible dedication. Some of the material “for noting” in the board pack could be provided on a more informal basis between meetings (eg some of the historical matters). Short reports on major events (eg, the Select Committee, other important debates and developments at the Inquiry) could be circulated in more real time. It was a pity not to be able to meet for dinner or in person at the January meeting. The NED only discussions are welcome and could be a bit longer. Q18. Board papers are very long and have often been delivered quite late. This is the inevitable consequence of the pressures the management team has been operating under. I hope we can get back to a more normal rhythm in 2022/23. Q21, 25. Time for discussions and questions to the exec ahead of Board meetings has also suffered as a result of the pressures referred to above. I hope this will also improve in the coming year. Q26. The NED only discussions we have are always useful and given the magnitude of the issues the company is facing, it would be useful to have them more frequently. In structuring the agenda for these meetings, it might be useful if NEDs are asked in advance to put forward topics for discussion. The workload is intense and I believe this is why communications have taken a lower priority this year. Would be great to return to normal times and also to better engage with GE and Senior Leaders. 										
F.	Stakeholder engagement									
27.	How would you assess the Board’s approach to considering the following stakeholder needs/ views when taking decisions:									
i.	Customers	0	2	5	6	0	2.9	2.3	2.7	3.1

ii.	Postmasters/agents and clients	2	7	2	2	0	3.6	4.0	3.7	3.2
iii.	Special Shareholder	3	8	1	1	0	4.0	4.0	4.0	4.3
iv	Employees	0	3	7	3	0	3.2	2.5	3.0	3.1
v.	Suppliers	0	2	10	0	1	3.1	2.8	3.0	2.8
vi.	Regulators	2	3	8	0	0	3.7	3.3	3.5	3.2
Average for section:							3.4	3.2	3.3	3.2

ARC Evaluation Questionnaire 2021/22

	Question	5	4	3	2	1	Non-Exec	Exec	Ave 2021/22	Ave 2019/20
Skills, experience, diversity, knowledge										
1.	How appropriate is the composition of the Committee for the requirements of the business?	3	3	0	0	0	5.0	4.3	4.5	4.1
2.	How would you rate the Committee's understanding of the following areas of the Business:									
i.	Financial reporting and management	3	2	1	0	0	5.0	4.0	4.3	4.2
ii.	Risk	3	2	1	0	0	5.0	4.0	4.3	4.1
iii.	Compliance	3	3	0	0	0	5.0	4.3	4.5	3.8
iv.	Internal Audit	2	4	0	0	0	5.0	4.0	4.3	4.3
v.	External Audit	2	4	0	0	0	5.0	4.0	4.3	4.2
Additional Comments: <ul style="list-style-type: none"> We have two NEDs that really understand the financials: another one would help. 										
Leadership, ways of working, time management										
3.	How would you assess the Chair's encouragement of debate within the Committee, including ensuring that all members are able to contribute to the discussion?	5	0	0	0	0	5.0	5.0	5.0 1 - N/A	4.3 1 - N/A
4.	How effective is the Committee at focussing on the right issues?	1	5	0	0	0	4.5	4.0	4.2	4.1
5.	How effective is the Committee at providing both challenge and support to management?	2	4	0	0	0	5.0	4.0	4.3	3.9
Additional Comments: <ul style="list-style-type: none"> There has been a marked improvement in tone, focus and support. The Committee is good at focussing on the key risks arising from the material that is presented to us - and in seeing where there are real or apparent contradictions in the materials. But there have been a few surprises (eg cyber) where we had thought things were more on track than they have turned out to be. Difficult to know how to resolve this but the deep dives into key areas may continue to be the best way forward. 										

	Question	5	4	3	2	1	Non-Exec	Exec	Ave 2021/22	Ave 2019/20
	Information and Support									
6.	How effective is the Committee at testing the information provided by its external advisers?	1	3	0	1	0	4.5	3.3	3.8 1 – N/A	4.1
7.	How would you rate the quality of papers and presentations received by the Committee?	0	3	3	0	0	4.0	3.3	3.5	3.6
8.	How comfortable are you that compliance with the regulatory landscape is adequately managed and reported?	1	3	2	0	0	4.0	3.8	3.8	3.6
9.	How would you rate the management information received by the ARC and its timeliness (i.e. is it the right information at the right time to provide you with the assurance you need and the understanding of the business you need)?	0	2	2	1	0	3.5	3.0	3.2 1 – N/A	3.8
10.	How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required)?	2	2	1	0	0	4.5	4.0	4.2 1 – N/A	4.1
11.	Are the frequency and length of ARC meetings appropriate?								Yes = 6 No = 0	Yes = 8 No = 2
12.	Are issues brought to the ARC at an appropriate time?								Yes = 5 No = 1	Yes = 8 No = 2
13.	Are there any issues or topics <i>that are not discussed</i> that should be considered at the Board?								Yes = 1 No = 3 N/A = 2	Yes = 2 No = 7 Don't Know = 1
14.	Does the ARC have sufficient time in private to discuss matters of concern?								Yes = 2 No = 0 N/A = 4	Yes = 5 No = 2 N/A = 2 Don't Know = 1

	Question	5	4	3	2	1	Non-Exec	Exec	Ave 2021/22	Ave 2019/20
15.	Please comment on the effectiveness of the interaction with Internal Audit.									
	<ul style="list-style-type: none"> • Clear and improving • The co sourced relationship with Deloitte appears to be working well. The Committee have closed sessions with IA and the Chair has 1:1s with the Head of IA. IA operate independently and balance the need to be a critical advisor at times and an independent assessor at others. • Much improved and the recent trend towards providing thematic insights is valuable. • From my perspective the committee's interaction with IA is effective. The Chair makes an effort to catch up with and support the Head of Internal Audit. I feel that I have an open communication line to the Chair and to every member of the committee and I do not hesitate to speak to them directly on matters of concern. I believe that the committee has confidence in the work of IA and management understands this well, which further strengthens the independence of IA. • Good interaction with IA – will be helped as we build the GRC capability as that will help integrate 3 lies of defence work. 									
16.	Please comment on the effectiveness of the interaction with External Audit.									
	<ul style="list-style-type: none"> • Good • The relationship is good, with closed sessions and the chair has 1:1 sessions in advance of each ARC with external audit. • It's formulaic however the critical issues are well understood. • The interaction during ARC meetings appear to be effective. I don't really have visibility of the committee's engagement outside of ARC meetings, so I am unable to comment. • Limited – essentially through the Annual Accounts process. • PwC has 30 mins with Carla before every ARC meeting. So interaction at that level is excellent. At the ARC itself the slots for external audit are very tight – but that tends to be a function of the very broad agenda that needs covering at each meeting. Compared to other ACs the percentage of time given to external audit is low, but again without compromising other parts of the agenda or lengthening the meetings further I am not sure there is much alternative. The stand-alone ARC to approve the ARA is I think a good thing. 									
17.	Please include any thoughts you have about the operation of the Committee and any ideas for its future operation.									
	<ul style="list-style-type: none"> • The issue is that we cannot fund all of the progress we would like to make in Compliance or MI etc. • The lack of funding is definitely having an impact on the ability to manage the control environment (eg the controls programme being placed on hold and slow progress in establishing the IT controls framework). Good progress has been made on the operational retail controls. Striking the balance between proportionate oversight, funding constraints, increased macro risks and increased regulatory requirements is going to be the key challenge for the committee in the near future. • It's a strong committee and my only worry is that it has such an extensive agenda which might benefit from some pruning (or reporting by exception) allowing more time to debate the more critical issues, such as cyber. An annual debate on where our focus should be would help I think. • I believe the Committee is effective in its operation. Compared to other Audit and Risk committees that I have observed, I think the Post Office ARC is more involved in the detail and provides more thorough scrutiny. • Leverage the GRC tool. 									

	Question	5	4	3	2	1	Non-Exec	Exec	Ave 2021/22	Ave 2019/20
	<ul style="list-style-type: none"> • Greater willingness to use Dashboards to present the issues – less traditional text based reports. • Joined up reporting for risks and compliance/controls. • The Horizontal: thematic, joined up (not siloed) `across-business` discussion i.e. postmasters, H&S, environmental, cyber etc • The Vertical: schedule deep dive in certain business areas (i.e. Commercial, Finance, Strategy) where the 1st line supported by the 2nd provide their perspective – so the discussion is not through the Central teams as it can be now. TOPICS NOT DISCUSSED: Emerging risks in the wider business connect – horizon scanning. • Sometime the papers do not align with the risk analysis as reported by 1st line. Too much text in papers. • More meetings than many PLCs; but needed. Papers are very long. Is there a way to shorten them and / or make better use of Exec summaries? That said I am always impressed by the detail that Carla has been through in the papers and indeed AC colleagues likewise. • There is a balanced interaction and challenge across all ARC members without one dominant figure which is a real positive. Carla is also very good at keeping things moving and on track while letting discussion flow and debate happen where needed. Excellent chairmanship. • I am pleased to see Cyber Security focus is being elevated. 									

Remuneration Committee Evaluation Questionnaire

2021/22

	Question	5	4	3	2	1	Ave 2021/ 22	Ave 2019/ 20
	Skills, experience, diversity, knowledge							
1.	How appropriate is the composition of the Committee for the requirements of the business?	0	5	0	0	0	4.00	4.33
2.	How would you assess the Committee's knowledge of the following issues:							
	a. Structure of senior executive remuneration packages and approvals process for these (PO Limited and PO Insurance)	0	5	0	0	0	4.00	3.33
	b. Structure of staff remuneration packages and approvals process for these (PO Limited and PO Insurance)	0	5	0	0	0	4.00	3.33
	c. Reporting requirements for the Remuneration Report in the Annual Report and Accounts	1	3	1	0	0	4.00	4.00
	d. Increased focus on and reporting requirements for equality and diversity issues.	1	3	1	0	0	4.00	4.33
	Additional Comments: <ul style="list-style-type: none"> • In relation to the above, I would say we have better knowledge at POL, then POI and least at Payzone. • The Remuneration Committee takes the time to be well briefed on all aspects of Remuneration and makes a positive input to all discussions. • Following best practices through our External Advisors WTW. • We could do more on equality and diversity topics. 							
	Leadership, ways of working, time management							
3.	How would you assess the Chair's encouragement of debate within the Committee, including ensuring that all members are able to contribute to the discussion?	1	3	1	0	0	4.00	4.00
4.	How effective is the Committee at focussing on the right issues?	0	4	1	0	0	3.80	3.66
5.	How effective is the Committee at providing both challenge and support to management?	1	3	1	0	0	4.00	3.66
	Additional Comments: <ul style="list-style-type: none"> • While this has become better as the year has progressed - there still needs to be constant reiteration of what is an Executive and what is a Committee role - sometimes there is involvement in issues that are the remit of the CEO. This is improving but can be an issue on occasions. • Comments based on the period Ken McCall was Chair. As we've discussed there should be a reset with Lisa Harrington assuming the Chair role. 							

	Question	5	4	3	2	1	Ave 2021/ 22	Ave 2019/ 20
	Information and Support							
6.	Are the frequency and length of Remuneration Committee meetings appropriate?	Yes = 3 No = 2					Yes = 2 No = 1	
7.	How effective is the Committee at testing the information provided by its external advisers?	0	2	2	1	0	3.20	3.66
8.	How would you rate the quality of papers and presentations received by the Committee?	0	4	1	0	0	3.80	3.33
9.	How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required)?	1	3	1	0	0	4.00	3.33
	Additional Comments <ul style="list-style-type: none"> The feedback is that the Papers are much clearer than previously with the correct level of data and background including clear recommendations - this needs to continue and be carefully managed including full pre-briefing of all members. We could get more from our external advisors, this will be a new focus on 2022. Q6. Remco is the most contentious of the Board committees. I think we would benefit from having more informal discussions as a committee ahead of meetings in order to improve alignment on 1. pay strategy both at a corporate and individual level; and 2. specific topics that are coming up for approval. Q7. It's very important that the advisers are objective and understand their mandate is to work for the Board. The advisers sometimes come across as being too close to management and would benefit from time with the committee without management being present to establish a stronger relationship with the committee. Q8. Papers have improved significantly since Angela took over the HR role. 							
10.	Please include any thoughts you have about the operation of the Committee and any ideas for its future operation.							
	<ul style="list-style-type: none"> It is working much better than when I started - the role of the Shareholder representative needs to be clearer - they are all equal Remuneration Committee members but it is vital that the quality of delivery from management continues so that history does not repeat itself and the Committee become too Executive in nature again. Lisa will be a good Chair with the right management support. Angela has been a tower of strength to the operation of the committee. It just shows what can be done with suitably qualified personnel. More from our advisors, best practise and ideas on ESG Rem. Slightly longer meetings to ensure we can cover all topics and plan our Rem approach for 2022/23. 							

	Question	5	4	3	2	1	Ave 2021/ 22	Ave 2019/ 20
	<ul style="list-style-type: none"> The environment in which this committee operates is a complex one, given the approvals needed from HMG. I think the committee has got better at pre-planning, but this probably needs to go a step further to ensure that meetings are in a position to take decisions. Maybe frequency needs revisiting. In general, for the reasons mentioned above, meetings can be longer than they need to be. 							

Nominations Committee Evaluation Questionnaire

2021/22

	Question	5	4	3	2	1	Ave 2021/ 22	Ave 2019/ 20
	Skills, experience, diversity, knowledge							
1.	How appropriate is the composition of the Committee for the requirements of the business?	0	4	0	1	0	3.60	4.00
2.	How would you rate the Committee's knowledge of the following issues:							
	a. Succession planning	0	2	2	1	0	3.20	3.00
	b. Board recruitment and appointment processes (including PO Insurance)	1	3	1	0	0	4.00	4.00
	c. Corporate governance requirements.	1	4	0	0	0	4.20	4.00
	Additional Comments: <ul style="list-style-type: none"> Nominations Committee is very reliant on management of process by the CPO and Co. Sec. Most of the discussions in the last year should probably have included broader Board participation. We need an Executive Succession Plan. I do not believe a comprehensive one is available. 							
	Leadership, ways of working, time management							
3.	How would you assess the Chair's encouragement of debate within the Committee, including ensuring that all members are able to contribute to the discussion?	1	2	2	0	0	3.80	4.00
4.	How effective is the Committee at focussing on the right issues?	0	4	1	0	0	3.80	4.00
5.	How effective is the Committee at providing both challenge and support to management?	0	5	0	0	0	4.00	4.00
	Additional Comments: <ul style="list-style-type: none"> This has become better as the year has progressed. There have been many times where NED challenge has been made to the Executive however progress is slow. More could be done to support and lead the succession agenda. 							
	Information and Support							
6.	How effective is the Committee at testing the information provided by its external advisers?	0	1	0	0	0	4.00 N/A - 4	4.00
7.	How would you rate the quality of papers and presentations received by the Committee?	0	5	0	0	0	4.00	4.00
8.	Are the frequency and length of Nominations Committee meetings appropriate?	Yes = 4						Yes = 2

	Question	5	4	3	2	1	Ave 2021/ 22	Ave 2019/ 20
		No = 1						No = 0
9.	How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required?).	0	3	2	0	0	3.60	3.50
10.	How effectively does the Nominations Committee assess the quality of the management team below Board level and manage succession planning?	0	0	3	2	0	2.60	3.00
11.	Please include any thoughts you have about the operation of the Committee and any ideas for its future operation.							
	<ul style="list-style-type: none"> As the succession plan and talent profile has been under-developed this is challenging for the Committee - thorough review of the new talent and succession plan in line with the new organisation design should help. Per comments above the Committee needs to do much more work around competency and capabilities of the Executive. More could be done on active succession planning of GE and below, lots of progress this year, but more to do. I think the committee has worked well in relation to Board recruitment, but more focus is needed in future on succession at the level of the management team below Board level: this has started to happen. Succession planning and organisational design have taken a back seat to the other pressing issues the company is facing. They remain of crucial importance for the company and are areas of very significant risk for the company. Having said that Angela has produced some very good work on both topics recently and they should be followed up at NomCo and/or Board as soon as the funding question is resolved. 							



POST OFFICE LIMITED BOARD REPORT

Title:	Board Evaluation Report 2022/23	Meeting Date:	11 July 2023
Author:	Rachel Scarrabelotti, Company Secretary	Sponsor:	Henry Staunton, Chairman

Input Sought: Discussion/Decision

The Board is asked to:

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

Executive Summary

The 2018 UK Corporate Governance Code and the Corporate Governance Code for Central Government Departments¹ both stipulate that there should be an annual evaluation of the Board and its Committees which should be externally facilitated at least once every three years.

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

The Board Directors and Ben Foat, Group General Counsel, Tim McInnes, Strategy and Transformation Director, and Zdravko Mladenov, Group Chief Digital Information Officer, who have been regular attendees at Board meetings, were invited to participate in the Board Evaluation which they did.

Progress against actions from the Board Evaluation of FY21/22 were previously reported to the Board at the Board Meeting on 24 January 2023 and overall progress this year is reflected in the summary below.

All sections in the questionnaire² overall achieved an average score higher than 3 ("good/at the required standard"). However, some individual questions had average scores of below 3 (2 = "requires development").

Report

Board Directors were pleased about a number of aspects of the way the Board operated during FY22/23 including:

- (i) the continued focus on the resolution of historical matters;
- (ii) the level of contributions from Directors across the Board;

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

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

- (iii) the clearly apparent time and effort Board colleagues spent preparing for Board meetings, as well as the time and effort Board members invested in engagement with the business outside of Board meetings;
- (iv) the decrease in the length of Board packs;
- (v) the Executive directors noted the support of the independent Non-Executive Directors;
- (vi) the contributions of the Postmaster Non-Executive Directors, particularly in bringing the Board closer to the business;
- (vii) the Board recognised the diversity and strength of skills that were utilised by the Non-Executive Directors across the Board, and that the Non-Executive Directors were there to support and assist.

Responses revealed an overall sense of pride across Board members at what the Board had achieved, despite continued and varied challenges during FY22/23.

Points raised/ areas for development:

1. Board Agendas could be re-shaped to allocate more time to discuss strategy, trading performance and the long-term sustainability of the business, with less time allocated looking in the 'rear view mirror';
2. Whilst the length and content of Board packs has improved this is an area where further progress could be made. Comments were made that the Board papers at times appeared to be recycled Group Executive papers;
3. The Group Executive and management would like to work in a more cohesive way, with the Non-Executive Directors further developing their professional relationships with the wider Group Executive and the Senior Leadership Group;
4. The Board would like clarity on the shareholder representative's role on the Board. There was a widespread view that UKGI delved too much into the detail, and some felt that UKGI acted as a filter on messages to the shareholder.
5. The view of a number of respondents was that the business is risk adverse and that management decisions were not taken without looking over their shoulder.

Recommendations:

1. Time on each Agenda be allocated to focus on the future of the business, including strategy discussion and trading performance updates.

The Chairman indicated at the last Board meeting that the content of Board meetings would be re-jigged with more time allocated to the business, and Board meetings would commence earlier in the day to allow sufficient time for these matters to be considered. That said, the Chairman was fully cognisant of the need to continue to monitor the progress of the Inquiry and the resolution of historical matters, therefore the re-focus on the business would be a gradual process over a 2-3 year period.

The CEO is in agreement that more time needs to be allocated in Agendas to discuss present day issues in relation to the business. Going forward the CEO Report will be allocated an hour's presentation and discussion time.

It was agreed at the last Board meeting in March that the Board Strategy Day would be a teach-in on the business, particularly in light of 4 new Non-Executive Directors who are joining/ have joined the Board;

2. The length and content of Board packs should remain under focus; Board papers should be more high level, and less operationally focused and the Board should assist management by calling out any papers that are inadequate. From the side of management, the CEO agrees that Board papers can be further improved by distilling down content to key points, and will continue to review draft Board papers from this perspective;
3. Sessions on different business areas and functions (e.g., People and Culture, Postmasters, Mails, Retail, Banking, Marketing, IT, Insurance, Logistics) be scheduled in Agendas to provide opportunities for relationships to develop between Board members and members of the Group Executive and the Senior Leadership Group. The CEO will encourage this process as part of a greater focus on the future of the business.

At the last Board meeting in March it was agreed that Group Executive members would attend across a number of the sessions at the Board Strategy Day scheduled for July 2023, and that Group Executive members would also be invited to attend the corresponding Board dinner.

Additionally the Non-Executive Directors will be invited to attend the Senior Leadership Group meetings periodically;

4. The Chairman and the CEO noted the points raised by the Directors in relation to the role of the shareholder representative and are continuing to reflect on these and the relationship with UKGI;
5. The Board must give the Group Executive the confidence to 'get on the front foot'. The Chairman and the CEO recognise the need for cultural change to empower management and to turn the Post Office into a sustainable business, and one where decisions are made more rapidly, with a Postmaster centric focus, and with appropriate thought given to other key stakeholders including customers;
6. The CEO needs a best in class management team to lead the business by providing technical competency, depth and breadth of experience, as well as sheer nerve, to deliver change in a complex operating environment. The Board can assist via support on succession planning and People matters. Establishing a suitable management team to lead the business is a key priority for the CEO. The Chairman has requested a talent review and succession planning session be scheduled followed by a Board dinner, where People issues will be the central theme on the Agenda;
7. Wider cultural change is required and morale within the Senior Leadership Group could be more positive. Cultural change is seen by the CEO as vital to the future of the business.

The Chairman made a presentation to the Senior Leadership Group in March 2023 and shared his experience of having been Chairman of WH Smith Plc; WH Smith Plc emerged as the most successful high street retailer post pandemic, and the Chairman advised his



expectation for Post Office to follow similarly. Whilst funding constraints have made effecting change difficult, huge strides can be made with the right leadership behaviours.

Next Steps & Timelines

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



POST OFFICE LIMITED BOARD REPORT

Title:	Board Evaluation Report 2022/23	Meeting Date:	6 June 2023
Author:	Rachel Scarrabelotti, Company Secretary	Sponsor:	Henry Staunton, Chairman

Input Sought: Discussion/Decision

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