POST OFFICE LIMITED BOARD MEETING

MINUTES OF A MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON TUESDAY 28 JULY 2020 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 10:00 HRS[1]

Present:	Tim Parker	Chairman **(TP)**
	Nick Read	Group Chief Executive Officer **(NR)**
	Ken McCall	Senior Independent Director **(KM)**
	Tom Cooper	Non-Executive Director **(TC)**
	Carla Stent	Non-Executive Director **(CS)**
	Zarin Patel	Non-Executive Director **(ZP)**
	Lisa Harrington	Non-Executive Director **(LH)**
	Alisdair Cameron	Group Chief Finance Officer **(AC)**
In attendance:	[redacted]	[redacted]
	[redacted]	[redacted] (Item 4.)
	Dan Zinner	Group Chief Strategy and Transformation Officer **(DZ)** (Items 4.)
	[redacted]	[redacted] (Item 5.)
	Owen Woodley	Group Chief Commercial Officer **(OW)** (Item 5.)
	Ben Foat	Group General Counsel **(BF)** (Items 6. & 7.)
	[redacted]	[redacted] (Items 6. & 7.)

Action

Performance and current issues

1. Welcome and Conflicts of Interest

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

2. Minutes of Previous Board meetings and Matters Arising

The Board **APPROVED** the minutes of the Board meetings held on 26th May 2020, 25th June 2020 and 30th June 2020[2].

The Board **NOTED** the action log and status of the actions shown.

Committee Reports

Ken McCall reported that the Remuneration Committee had approved the 2019/20 STIP performance measure outcome for Change Effectiveness of 48% against the target and that this result would be used as part of the bonus outturn calculation for 2019/20. The Committee had also approved the remuneration for two GE members.

Carla Stent provided an overview of the main items discussed at the ARC Committee meeting held on 27th July 2020, including Modern Slavery Act compliance, where work to provide assurance had progressed significantly and the Statement would need to be approved by the Board in September 2020. [redacted] This raised a slight concern for us as directors because of the potential fine and reputational issues should the regulator decide subsequently that we should have notified them. The Board **AGREED** that we should not notify the regulator before we had seen the remediation work in September 2020, but we should have a holding statement ready. **Action:** Executive

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

[2] The minutes of the Board meetings to discuss the CCRC cases are approved at those meetings.

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The ARC had discussed suspense accounts and further work was needed on whether HNGA was a factor. Good progress had been made on GDPR and PCI compliance.

3. CEO Report

Nick Read provided an overview of the key business matters:

- there had not been a faster return to pre-Covid-19 trading levels in July 2020 which might have anticipated after trading volume improvements in June 2020; however, the Mails and Parcels businesses had been performing well. Banking, especially deposit transactions, had been increasing. It was the reporting season for the banks and their desire to take costs out of their businesses was high, so they were likely to want to reduce their network size
- we had been analysing why branches had been closed with the area managers and a disproportionate number of the 485 had been outreach branches, in part because of difficulties accessing the places in which they would normally operate. We were focusing attention on ensuring provision in the top 1,000 branches. Area managers had not been on the road during Covid-19 and we still needed to get a better understanding of why branches were closed, including the 285 that related to Covid-19
- the quarterly shareholder accountability meeting had taken place on 27th July 2020. BEIS was concerned about DMB closures and we had confirmed that we would not commence any closures while the branch target waiver was in place
- there had been appreciation from Postmasters of the remuneration arrangements and PPE provided during Covid-19. Morale amongst Postmasters appeared good from the feedback at the Stronger Together Roadshows. Understandably, the key focus was on what would be happening next and how Post Office could help drive footfall in branches
- the Travel Money volumes were unlikely to return quickly so it was difficult for those branches for whom it was a significant part of their remuneration
- Fenchurch was the preferred candidate at this stage to provide advice on the potential insurance divestment
- we had not been ready to proceed with the consultation on roles in July 2020 but planned to proceed in September 2020. It had been difficult to understand the new shape of the business given the changes brought by Covid-19 and the longer-term impact on the operating model
- the announcement on bonus payments had been received positively. The POL bank holiday to say thank you for the work done during lockdown was on Friday 31st July 2020
- the Group Executive had had a session with the BAME network last week and were working through initiatives to increase BAME representation through the Autumn. We would be adopting a target of 14% BAME colleagues at all levels by 2024
- the Industrial Relations position was difficult and we were likely to have a dispute with the CWU, especially with the public sector pay position this year where there were above inflation increases. We would stand by our proposed approach and thought it unlikely that there was cause for individuals to support industrial action. People were concerned about redundancies and that was their primary focus
- the pause in the Starling litigation would allow us time to progress with the Postmaster consultation and proposals for Postmasters joining the Board as well as the broader representation of Postmasters to provide more input into our decision-making
- [redacted] would be starting as the [redacted] today and was joining POL on a year's contract. He would be reporting to Nick Read but would not be a GE member. He would be accountable for the GLO separation, holding the GE to account on IT Horizon issues, facing into Fujitsu and Postmaster representation. We were working through what his team would look like, the set-up structure and whether or not the roles would be on secondment

A number of points were raised, including:

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- an overview of the CWU and its key officials was requested. It was noted that the CWU's power base was DMBs and supply chain. We had been unable to reach deals with the CWU historically but had in some instances with UNITE

Action: Executive

- Tim Parker asked whether there were any persistent areas of criticism from Postmasters. Nick Read reported that Postmasters had yet to feel the benefit of BF2 because the new transaction rates had not come into force until April 2020 by which point we were in lockdown. Postmasters were very interested in the RMG deal and this would need to be communicated carefully
- Zarin Patel asked how [redacted] would work with the legal function. Nick Read explained that [redacted] key role would be to hold the executive to account for delivering what it needed to and defining what "good enough" constituted. NS was more concerned currently about the IT and Horizon issues, processes and compliance than the legal aspects of GLO. In addition, the costs associated with GLO were high and we needed to manage and contain these costs where this was feasible. Ken McCall added that we needed to be clear on our lines of accountability. Tom Cooper felt that we needed the [redacted] to drive delivery and help with the work on the Government review. Ken McCall noted that we needed to be able to prove that we were a new Post Office with high quality training and support for Postmasters. The executive team needed to be able to evidence this, for example, the recent Citizens Advice report had criticised Post Office's training for Postmasters. Tim Parker suggested that [redacted] be asked to report back to the Board on a defined range of topics which should include Postmaster training. We should also be able to demonstrate to Postmasters that the training provided had a beneficial business impact

Action: Executive

- the topic of Postmaster training was discussed further and it was agreed that scores on Postmaster training should be reported to the Board. Postmasters should be surveyed regularly on this and other matters so we could evidence improvements. NR noted that this was being facilitated through Branch Hub

Action: Executive to include as part of Post GLO reporting

- Ken McCall noted that the Co-op had looked at the idea of building community hubs some years ago and asked whether there was scope for a Post Office designation as community hub with this format of Post Office publicly funded
- Lisa Harrington would like to see the P1 post incident reviews which would provide an insight into our third partner supplier management controls.

Action: Jeff Smyth

4. Finance

4.1 Financial Performance Report

Al Cameron reported that a profit had been made during the month. Banking transactions were increasing again and the position was encouraging from a BF3 perspective as the banks were referring customers to Post Offices. However, this had a number of impacts such as Bank of England funding, supply chain costs to bring cash back in and security issues and costs. There had been some sales in travel insurance and foreign exchange but at very low volumes. We were pleased that branch numbers had risen to over 11,200 but we would need to request another waiver in September 2020. The Security Headroom position had improved slightly but could not be sustained if we had a second lockdown. We would be coming back to the Board with a revised financial plan in September 2020. The deferral of DMB franchising activities, pay rise costs and redundancies would increase some of the costs.

Ken McCall raised the issue of delays with Special and Registered Delivery and suggested that we should be checking our partners' ability to deliver.

It was confirmed that customers would not be covered under the travel insurance policies if the Government advice on travel changed to advise against all non-essential travel. We would have to review the position week-by-week and take the policies off sale again if they did not provide good enough cover.

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4.2 Four Year Plan and Funding Request

Al Cameron introduced the Four-Year Plan and Funding Request, noting that our proposals had changed as our strategy had evolved. Our funding submission needed to serve as a single submission. KPMG would provide its assurance on the document that would be submitted on 30th July 2020. The final document would be submitted in September 2020[3]. We would have to change our strategic approach if we did not obtain the funding requested. The main questions for the Board today were:

- What needs to change before we submitted the July 2020 funding submission?
- What further evidence or assurance did the Board need before the final September submission?

Change spend was largely focussed in three areas: the network, with [redacted] allowed for DMB franchising and [redacted] for network strategy; IT, with [redacted] for SPM, [redacted] for branch device replacements, [redacted] for other IT items, including the Belfast exit plan; and, right-sizing the organisation, with [redacted] for redundancies and some associated items to facilitate this. In addition, [redacted], including [redacted] for routers, was allocated to telecoms. [redacted] was allocated to the PUDO strategy. The total investment spend for the plan period stood at circa [redacted] which included some spend from profit.

There were remaining uncertainties, especially around the Network Policy Plan and Horizon/ Fujitsu costs. We thought the plan was achievable but was subject to a number of key dependencies, including the RMG deal and the impact of a second lockdown. The revival in cash and banking transactions was, however, encouraging. We needed confirmation that the changes to the SGEIs proposed would not require a public consultation but also needed to consider whether it might be better to run a consultation.

[redacted] explained the revenue figures and the assumptions used. The deterioration in Mails was in part offset by the upside in PUDO, with a small but important profit contribution of [redacted]. PUDO was viewed as strategically important because of the footfall it generated, revenue generation for Postmasters, a reduction in churn and enabling us to operate the number of branches we needed to create a buffer between target numbers and the network we operated.

Tim Parker invited the Board to raise general comments after which we would discuss the revenue line, cost line and change spend sequentially. Significant issues included:

- The key drivers of future Royal Mail revenue
- Why the PUDO Strategy was driving so little contribution given the volumes. It was reported that the ecommerce market had increased by 21%. Investment was beginning to be made by players like [redacted] was the distribution system leader but were bringing more costs into their network. Covid-19 had accelerated the trends with parcels. The Click and Collect market was growing and had both the lowest entry costs and brought the lowest value transactions. It was device agnostic and drove footfall into the network. The market had been slightly depressed during Covid-19 but was starting to return. [redacted]
- What the drivers of the PUDO market would be. It was reported that there were other volume pockets such as undeliverables but we could not expect the rate to increase. Rates had been stable in other markets such as the US. If POL did not pursue a PUDO strategy we could expect other players, such as [redacted] to fill the gap. We had to decide whether we wanted to extend our market share and, if so, invest to do so.

A number of points were raised, including:

[3] Post-meeting note: the deadline was revised to the end of August 2020.

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- Ken McCall noted that the cost of sales number and the FRES numbers did not change over three years and asked how all of the numbers aligned with the Mails Strategy and PUDO Strategy numbers and so forth. It would be helpful to understand the key drivers including DMB closures, the implications of the new network strategy and the various pieces of IT spend. Al Cameron explained that the table on page 19 of the document sought to pull this information together
- Carla Stent noted that if we were seeking to maintain optionality for the next few years but were not sure that we would have the scale of branch network to support in future years we needed to interrogate our change spend proposals, such as new Horizon system, to ensure the strategy formed a coherent whole. Al Cameron noted that part of the problem with the Horizon system was that we did not think that obtaining an extension in the contract with Fujitsu would bring savings because they would know how limited our options were. The other option would be to consider a longer extension on Horizon with Fujitsu if we could not invest more for the future because we did not know the longer term shape of the network but we would not be in a position to answer this question by September 2020 and Fujitsu might not want an extension. Lisa Harrington asked whether we needed a [redacted] equivalent for Fujitsu/ Horizon issues. The Board agreed that it was critical to secure the right resources to complete this work. We had to understand the network investment and Horizon requirements. The redundancy position and DMB franchising elements were clear and necessary. We needed the right outcomes from BF3 and needed to understand the upsides and downsides in the RMG contract
- Lisa Harrington asked whether we were assuming the digital platform would include all of the "limbs". It was reported that the "limbs" were not funded within this. We had included funding for the ATM strategy and some automation for deposits, but Post Office automation would mostly be funded through Postmasters leasing devices. The banks would want to take out more costs out in BF3. Automation could be attractive to SMEs given their service expectations. Tom Cooper noted that we might need a separate conversation about automation costs in rural areas given the importance for Government of service provision in these areas. Tim Parker added that Government required us to deliver a social network and we needed to be able to answer what we could deliver within the funding envelope
- Tim Parker thought that we needed to be careful about assigning benefits such as reduction in the churn of Post Offices to particular proposals if this could not be supported. Carla Stent added that a concern for the Board remained that we were still not building the sustainable business we needed to for the longer term. Al Cameron noted that the main issue with branch targets was running close to the contractual target which forced us to set up new branches urgently which did not drive good decisions about new locations. We wanted to have presence in more urban locations and that linked into the PUDO Strategy. We held a [redacted] share of the PUDO market currently and were seeking to increase this to [redacted] over the period. Nick Read noted that the business had been struggling to find growth opportunities for some time
- Tom Cooper asked why the return on the PUDO items was so low. It was reported that some of the share went to Royal Mail Group (RMG). It was agreed that we needed to be able to understand and reconcile the numbers better and this would be discussed during the Mails and PUDO Strategy session on 29th July 2020. Ken McCall added that we needed to understand the geographical distribution of our PUDO outlets, the drivers for this and who our customer base would be. We needed to understand our value to each of the individual players such as [redacted] and [redacted] and in different areas, with different charges. Al Cameron noted that we were forecasting a [redacted] Trading Profit at the end of the period and that with the potential downsides identified a higher profit assumption might be unrealistic. Carla Stent noted that the PUDO discussion needed to focus on the return we might achieve on our investment and whether we should be investing in it. The main profits over the period would be driven by BF3

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- Tom Cooper noted that the Funding Plan lacked information on what the business was capable of delivering beyond the next funding period. Tim Parker added that we needed to make clear that the alternative to the funding approach proposed was worse because the elements proposed were required to maintain the business and operate the network. Ken McCall agreed that our narrative needed to be credible and that the aspirations and top line number needed to be right
- [redacted] advised that we were forecasting some growth in cash and banking in 2022/23, post recovery from Covid-19. We thought that we would have acquired as much market share as we could the following year but would then experience some retraction because of the declining use of case
- the requirements for the network of the future and the investment required were discussed. Carla Stent noted that the underlying assumption appeared to be that we would still need a network in 5 – 10 years' time. Al Cameron thought that the demand for a physical network in 10 years' time was unclear. We would have to automate the costs out of the network and with Postmasters paying for this through leasing arrangements. Tim Parker thought that we needed to understand what alternatives people had to access cash, post letters and so forth. We would need Government support to secure BF3 and Nick Read advised that we had made this point, even if that service needed to be regulated. Having BF3 would give the Government optionality
- Carla Stent suggested that it would be helpful to make clearer our proposed treatment of the GLO, stripping out our historic GLO numbers to show what we thought the trading position would be post-Covid but without the additional GLO costs which we wanted to be separated out. In relation to the proposed separation of litigation costs from the rest of the business, [redacted]
- Tom Cooper noted that we needed to test the revenue line, the cost line - which arguably had not reduced enough - and the change spend. BEIS would want to know that this had been scrutinised by the Non-Executive Directors in particular. Carla Stent added that we also needed to consider the Security Headroom issues. Al Cameron reported that UKGI had written to request more detail on security headroom the previous day
- Lisa Harrington noted that she would expect more facts and figures included in the document and further assurance that our delivery of the plan would be successful, especially in those areas where we had not delivered successfully in the past. Al Cameron explained that the approval of the funding envelope did not give permission to spend the funds, which required additional oversight and discussion
- the [redacted] figure in relation to SPM costs was discussed. Al Cameron explained that IT spend was the most uncertain cost element and we did not have a good track record of delivery in this area. We needed to make the point that we had to take a decision on the Horizon system and the Fujitsu contract. This was not optional. The impairment issues that had occurred previously meant that we now required our business cases to be robust and tested the spend requirements with rigour. We needed to bring out the simplification we were trying to achieve more clearly in the Funding Plan. We also needed to have a deliverable "Plan B" for running the Horizon system because Fujitsu would drive a very hard bargain commercially
- Zarin Patel thought that the narrative in the Funding Plan was much stronger than the previous version. Nevertheless, it would be helpful to highlight the spend elements over [redacted] and bring out the GLO deliverables and story more clearly. It would be useful to explain the consequences of doing nothing or less, including where this was unpalatable. We should set out the ramifications and the costs and savings factually

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- Zarin Patel noted that there appeared to be significant risks but not many upsides. Al Cameron concurred with this observation and noted that our trading position was finely balanced, but we were under pressure to develop as a commercially sustainable business over the next 3-4 years. The executive needed to understand if the Board did not support this view. Carla Stent thought we needed to be able to demonstrate the route over the next 3-4 years clearly. Lisa Harrington added that there were measures that could not be replicated again and the changes required were substantial. Al Cameron thought that we could reduce our staff costs again but the non-staff costs were challenging. Tim Parker noted that we had improved our profit position considerably, notwithstanding the GLO and deterioration in the profits from the Bank of Ireland partnership, but we would have fewer business lines in the future. Telco was a significant contributor to profits. The Mails business carried future risk. The Banking Framework position needed to be set out and the conversations, including those with Government and [redacted] needed to be thought through very clearly. The issue of the lowest cost possible to deliver the network required by Government and the containment of those cost risks remained. This was not the same question as what we would do if we were a purely commercially focussed business
- Ken McCall noted that the document did not set out a vision for the Post Office in 2024-25. We were aiming to be the backbone of parcels network and essential to the community. We needed to see and feel this in the Funding Plan. The IT change was the element most likely to cause most concern in Government and these risks and challenges had to be acknowledged. We needed a dedicated team to drive this work. We also needed to include more on our vision for the network of the future. The executive summary needed to contain these elements, including the principles underpinning the social purpose we were part of and why others would want to support what Post Office was seeking to achieve. Al Cameron explained that Richard Taylor and the Communications Team would be reviewing the document, with particular regard to how it complemented the political agenda
- we should bring out the move away from London after the lease at Finsbury Dials expired in 2023
- Tom Cooper advised that we needed to make sure that the numbers included in the Funding Plan were supported. Al Cameron explained that the numbers in the Reading Room set out in some detail the assumptions associated with the numbers included. This was based on the Four-Year Plan received by the Board in May 2020 and tested by KPMG
- Ken McCall suggested that there needed to be some contingency included in the IT change spend proposals given that we had not remained within budget for previous major IT projects. Lisa Harrington noted that there would normally be a range of figures included for projects of this nature. Dan Zinner noted that there were additional IT costs that were not captured in the [redacted]. Carla asked whether the executive thought sufficient funding was sought in the Funding Plan. Dan Zinner advised that it was a dynamic plan and the figures were reasonable based on what we knew today. There was not a process we could put in place to provide a higher level of assurance on the IT costs by September 2020. Tom Cooper explained that we were required to seek approval for a single number. Al Cameron noted that we had not assumed a sale of Telco or divestment of parts of the Insurance business within the Funding Plan request. We would not seek additional costs if we exceeded our estimates but would have to "aim off" other parts of the plan. The position could be challenging if we did not get all or most of the funding requested.

The Board **APPROVED** the updated, draft funding proposal for 2021-24 for submission to and discussion with BEIS, UKGI and HMT.

Al Cameron noted that the narrative would be strengthened for the next submission to UKGI/ BEIS. The final draft would be brought back to the Board in early September 2020. We would review the credibility of the revenue numbers, PUDO, the justifications for the

Action: Al Cameron/ [redacted] to

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major spend items, non-staff spend, how we could control legal costs and getting right resource for Fujitsu/ Horizon.

reflect the Board's comments.

A Board call would be set up in advance of the submission of the final plan and if possible, the Board would like KPMG[4] to join that Board meeting. The Board would be asked to submit a letter setting out the work it has done to scrutinise the plan and funding request.

5. RMG MDA2

Owen Woodley explained the changes that were taking place at Royal Mail Group (RMG) and how we were managing the negotiations. RMG had come back with its mark-up of the draft MDA on 24th July 2020. This did not contain material new issues in addition to those already identified. The paper set out the downside scenarios, the liabilities, including stamps, and what the RMG might do if we used our new freedoms, such as running a trial with [redacted] It looked likely that we will not sign the deal until September 2020.

[redacted] provided the context on trading in Mails currently. The income had increased by [redacted] and there was a Drop & Go run rate of [redacted] customers per week, which was very popular with Postmasters. The commercial deal was on the table and there were some gaps in the mark-up within the six material areas that RMG wanted to discuss. RMG wanted to introduce the new contract in Spring 2021. The timing for signature of the MDA was less important for RMG than ensuring that the contract was drafted in the right way. [redacted]

A number of points were raised, including:

- [redacted] [redacted] thought that RMG would have to reform it labour position to make real progress and that could lead to labour disputes. We had included a disaster scenario in the paper which included significant amendments to the Universal Service Obligation (USO). The network was a letters network with parcels as a top-up. Covid-19 had led to a 30% decrease in the value of letters. The USO review and discussions would begin in Spring 2021. The RMG would want some protection within the USO for parcels and a relaxation of some of the USO requirements. [redacted] If RMG was not successful in arguing its case and parcels were removed from the USO the RMG would need to reduce its workforce significantly which could lead to industrial action which could occur in 2022. Carla Stent asked whether POL could engage in the USO debate as a mitigation. [redacted] thought we could but would need to work out what we wanted to obtain from the USO review and was working with [redacted] on this from a network perspective. Some of the RMG products were not best in market but [redacted]. Carla Stent suggested that we refer to the USO in the Funding Plan
- Ken McCall asked how strong the lobby to remove the USO would be, noting that in the United States carriers tended to work well together on issues of common interest. [redacted] thought that the main advantage of removing or reforming the USO would be [redacted] so there might not be much incentive for the other players to band together to lobby on this issue. KM noted that our trial with [redacted] was critical as they were highly likely to be the market leader in a few years' time
- Tim Parker asked for the Board to receive more information on the impact of RMG taking more business online given that the assumptions on future profitability of the Mails business underpinned our Funding Plan

[4] KPMG had been engaged to provide assurance to UKGI.

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- Ken McCall noted that we needed a lean cost structure and needed to automate. Al Cameron added that we should invest as quickly as possible to allow Post Office to work with other providers given the RMG risks
- Tom Cooper thought we needed to drive a conclusion of the negotiations and Ken McCall added that we should be targeting a signing date and let RMG know that this was a mandate from the Board
- Tom Cooper asked whether the [redacted] This was confirmed and it the noted that Linklaters were reviewing the liability cap. Al Cameron noted that there could have been occasions when Postmasters had been out of pocket because of stamps reconciliation so we took this very seriously from a GLO perspective
- Ken McCall noted that we needed to produce an implementation plan for bringing other providers on board and the team needed to deliver this. We also needed to consider how RMG might respond to POL bringing in other providers. How successful we were at executing this strategy would underpin the revenue numbers. Tim Parker added that we needed to manage the RMG relationship carefully as they were a critical partner for POL.

The Board is **NOTED**:

- the update on progress through legal drafting
- risks to the commercial forecast and mitigations
- the deal alignment with emerging network strategy
- the next steps toward signing of MDA2
- The responses to questions raised.

Action: [redacted] to reflect on and respond to the Board's comments and produce an implementation plan.

6. GLO Separation

The Chairman welcomed [redacted] who was joining POL as [redacted] Ben Foat explained the context and rationale for the proposal to set up a separate "historical matters" business unit for the GLO and the other options considered. POL was unlikely to be able to fund the costs associated with the GLO and the current structure was diverting executive time from running and developing the business. An implementation plan would be brought to the Board in September 2020.

A number of points were raised:

- Carla Stent noted that when a [redacted] concept was considered this also sought to address the reputational issues associated with the historical matters. Ben Foat agreed that the reputational issues associated with the GLO would not be resolved for POL through this model but that we wished to retain the management and oversight of the GLO while reducing the diversion of executive time. In the internal ring-fenced model, the Board would retain oversight of GLO and Starling. CS noted that this model seemed more akin to the schemes set up to deal with PPI than a good bank/ bad bank model. BF agreed that the model provided no benefits from a brand perspective, but it was likely that the external world would always see GLO as a Post Office issue. Lisa Harrington added that this was primarily adding extra emphasis to the GLO from a management perspective through the additional resource. Tim Parker noted that it was critical that management should be able to focus on today's business issues. The reputational aspect of the GLO was largely driven by what the public saw in the media and how politicians regarded POL's past errors. It had limited impact on how the business operated or how Postmasters today viewed POL. Carla Stent noted that there was no obvious benefit to setting up a separate entity if that did not remove the liability

- Tom Cooper noted that the financial separation would be achieved through the Spending Review. We also needed to consider the running costs for the GLO and would need a business plan and cost allocation for BAU running costs and the ongoing litigation costs. A letter about this would need to be included with the funding review. Nick Read added that this would include the historical Starling issues and should also give us greater transparency from a cost perspective
- Lisa Harrington noted that the Board could not sustain the current level of meetings so the new structure could not be allowed to drive additional meetings. Nick Read advised that there would be a standing item on Post GLO on the agenda for scheduled Board meetings.

The Board:

- **APPROVED** an internal restructure to create a 'Historical Matters' business unit, including an executive to support this, reporting into the Post Office Board. It was noted that this did not prevent a new separate entity being formed in the future
- **APPROVED** the development of an implementation plan which would be brought back to Board in September 2020.

7. Post GLO implementation plan

Ben Foat introduced the paper and invited questions.

[redacted]

[redacted]

[redacted]

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[redacted]

Action: Executive

8. Approvals

8.1 Belfast Exit Plan

[redacted]

8.2 Procurement risk exceptions

Carla Stent noted that a number of the same issues had arisen again and if we had planned ahead they could have been avoided and added that she had thought we had already identified the contracts where there was an issue. The procurement process did not appear to be being followed and it should be possible to circulate reminder emails. Al Cameron reported that not all of the contracts had yet been set up on Source to Settle, the Procurement Team's resources were limited and focussed on the major negotiations, so we need the business to own contract management. Lisa Harrington suggested that we remind Group Executive members about the issue again and Tim Parker suggested we set ourselves the objective of minimising the numbers of PRENs being requested.

Action: Executive

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

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PREN19 – Value [redacted]**.** Approval to proceed to extend an existing non-compliant direct award with a new 36 month subscription to Practical Law for the provision of Legal research materials, updates and precedents.

PREN21 – Value [redacted]**.** Retrospective approval for a 2 year subscription to Lexis Nexis to receive alerts and updates on developments in tax and regularly access the HMRC manuals, the practice guidance and law to enable the tax team to provide advice and support to the business both on a day-to-day basis and also on specific projects.

PREN22 - Value [redacted] Approval to proceed to award a direct 12 month contract with CPA Global for the provision of Trademark portfolio management service.

PREN23 - Value [redacted] Retrospective approval of a direct award in relation to urgent and specialist communications advice valued at [redacted], and further approval for other pending work. A compliant procurement process would be run in the coming 12 months to put a panel of services in place for this work.

PREN20 – Value [redacted] The Group Executive had approved the recommendation on the sourcing strategy for the retendering of EUC services for colleague and branch support on 1st July 2020. The execution plan was to complete a procurement exercise for new contract(s), (3yr + 2yr), before April 2021 with transition completed by September 2021.

The Board **NOTED** the Pipeline Risk Exception Report under PREN20.

The Board **NOTED** the sourcing recommendation made to the Group Executive for PREN4, the Global Payments tender. The outcome of the review with the IT and the Payments team was that the known risks and interdependencies were manageable and that the Procurement and Payments teams should proceed to re-procure on a like for like basis, Option A.

8.3 Post Office Operating Model

The Board **APPROVED** [redacted] of delivery spend for the Post Office Operating Model, Tranche 1, which would go live in September 2020 to enable the removal of net c. 113 FTEs.

This spend comprised:
a. Removal c. 173 non-DMB roles with in-year benefits of c [redacted] for 2020-21 and associated voluntary redundancy costs of [redacted]
b. Estimated 60 FTE capability builds predominately across IT, Data & MI and Commercial with in-year costs of [redacted] (worst case); one off recruitment costs of [redacted] (worst case)
c. Programme costs of [redacted] until the end of December 2020 to design, deliver and embed the change
d. Deliver net [redacted] benefits in 2020-21 and [redacted] annualised benefits after capability build.

Zarin Patel noted that the [redacted] programme costs seemed high and it would be helpful to understand this better. **Action:** Executive

9. Noting and governance items

9.1 Health & Safety Report

The Board **NOTED** the Health & Safety Report. Lisa Harrington noted that the metrics were very encouraging.

9.2 Starling (Workers' rights case)

[redacted]

POST OFFICE LIMITED BOARD MEETING

9.3 Sealings

The Board **APPROVED** the affixing of the Common Seal of the Company to the documents set out against items 1955 to 1977 inclusive in the seal register.

9.4 Future Meeting Dates

The future meeting dates were **NOTED.**

9.5 Forward Agenda

The forward agenda was **NOTED.**

10. Any Other Business

There being no other business the Chairman declared the meeting closed at 15.30 hrs.

11. Date of next scheduled meeting

22 September 2020.

[redacted]

Chairman 02/11/2020 16:56