

POST OFFICE LIMITED
("the Company")
Terms of Reference of the Historical Remediation Committee

The Historical Remediation Committee (HRC) is a Committee of the Company Board ("the Board") from which it derives its authority and to which it reports at each scheduled meeting. Its authority is always subject to the powers and duties of the Board, as set out in the Articles of Association.

A. PURPOSE

1. The purpose of the HRC is to:
 - i) Oversee the administration of the Historical Shortfall Scheme (HSS); consider the principles that underpin how HSS claims are assessed for the consideration of the HSS Independent Advisory Panel (IAP); consider claim outcomes recommended by the IAP (including those recommending offers of financial compensation); recommend to the Board decisions on precedent setting matters; and consider any other matters escalated to the HRC for decision;
 - ii) Oversee the administration of the Stamps Scheme;
 - iii) Decide, in accordance with decision making tools approved by the Board, the Company's stance on appeals to the Court of Appeal (Criminal Division), Scottish Court of Appeal and Crown Court of convictions where Post Office acted as prosecutor;
 - iv) Oversee the management of claims for compensation made against the Company by those who have had convictions overturned;
 - v) Oversee the implementation of measures to enable conformance with the Post Office Group Litigation "Common Issues" and "Horizon Issues" judgments and resolve any other outstanding Group Litigation issues;
 - vi) Oversee the processes in place for the management of litigation costs across all workstreams and that sufficient resources are in place to support the management team and enable effective delivery;
 - vii) In all matters considered by the Committee, take an approach which is transparent, promotes fairness for appellants and claimants overall, while representing Value for Money for taxpayers' money and safeguarding the reputation of Post Office Limited;
 - viii) Address such other matters as may from time to time be delegated to it by the Board.

B. DUTIES AND RESPONSIBILITIES WITH REGARDS TO THE HISTORICAL SHORTFALL SCHEME (HSS)

2. **Review** and constructively challenge reports, management information and financial information from the Historical Matters Business Unit (HMBU) and Legal Team on the management (including discretionary decisions within delegated authorities) of the HSS and consider any recommendations and decisions sought.
3. **Review** and discuss inputs to and outcomes from the IAP on any matters requiring the Board's view or decision, following consultation with UKGI and the Shareholder¹.

¹ A POL / BEIS HSS Operations Agreement is in place and this sets out HMG approval points during the HSS process. A BEIS SteerCo for the HSS has also been established.

4. **Approve for recommendation to the Board** HSS decisions which materially affect scheme cost and/or timetable, set principles or establish precedent for how different types of claim may be assessed (e.g. quantified, part-quantified, unquantified, shortfall only, consequential losses), and how those claims may be treated within a settlement offer, prior to their submission to the BEIS SteerCo and the IAP.
 5. **Approve** cases suitable for submission to the IAP, prior to their submission to the BEIS SteerCo and the IAP.
 6. **Approve** settlement claim offers on receipt of recommendations from the IAP, prior to their submission to the BEIS SteerCo. Where further information is required from the IAP before a decision can be made the HRC's questions will be conveyed to the IAP for consideration.
 7. **Approve** the approach to be taken within the HSS to settlement offers which have been rejected by claimants, prior to their submission to the BEIS SteerCo.
 8. **Approve for recommendation to the Board** the IAP's Case Assessment Guidelines and changes to these guidelines, which set out the key applicable legal principles outlined in the HSS Terms of Reference and Consequential Loss Principles and Guidance.
 9. **Approve for recommendation to the Board** the principles for the assessment of different cohorts of claims, which are intended to assist the consistent treatment of cases by the IAP, in consultation with UKGI and the Shareholder, before final submission to the BEIS SteerCo for approval.
 10. **Approve for recommendation to the Board** any changes to the HSS or IAP Terms of Reference, prior to their submission to the BEIS SteerCo.
 11. **Escalate to the Board** any issue which the HRC considers requires the attention of the Board.
- C. DUTIES AND RESPONSIBILITIES WITH REGARDS TO THE STAMPS SCHEME**
12. **Review** and constructively challenge reports, management information and financial information from the Historical Matters Business Unit (HMBU) and Legal Team on the management of the HSS and consider any recommendations and decisions sought.
 13. **Approve for recommendation to the Board** the principles that underpin how Stamps Scheme claims are assessed.
 14. **Approve** claim outcomes recommended (including those recommending offers of financial settlement).
 15. **Approve for recommendation to the Board** decisions which establish a precedent for how other Stamps Scheme claims may be treated.
- D. DUTIES AND RESPONSIBILITIES WITH REGARDS TO COURT OF APPEAL AND CROWN COURT CASES**
16. **Review** and constructively challenge reports, management information and financial information from the Historical Matters Business Unit and Legal Team on the management of cases from Potential Future Appellants (PFAs) received by the Court of Appeal, Scottish Court of Appeal or referred to the Crown Court by the

Post Office Limited
Terms of Reference of the Historical Remediation Committee

Criminal Cases Review Commission (CCRC) and consider any recommendations or decisions sought.

17. **Approve** stance on cases or refer cases to the Board for decision on stance in accordance with the decision-making tools approved by the Board.
18. **Approve** procedural steps, correspondence and submissions in appeal proceedings as required.
19. **Approve for recommendation to the Board** any changes to the decision-making tools which guide how the stance on cases will be decided.

D. DUTIES AND RESPONSIBILITIES WITH REGARDS TO THE ESTABLISHMENT OF COMPENSATION ARRANGEMENTS FOR OVERTURNED CRIMINAL CASES AND CIVIL CASES

20. **Review** and constructively challenge reports from the Historical Matters Business Unit and Legal Team on legal, financial and operational advice on managing claims for compensation made against the Company by those who have convictions overturned.
21. **Approve for recommendation to the Board** the policy or parameters within which the HRC may approve compensation offers and/or payments, including the extent to which POL Board approval and BEIS/ UKGI approval may first be required.
22. **Approve** decisions on compensation payments which fall within the policy or parameters approved by the Board, prior to their submission to BEIS.
23. **Approve for recommendation to the Board** decisions which establish a precedent in relation to such compensation payments, prior to their submission to BEIS.
24. **Approve for recommendation to the Board** decisions which fall outside the policy or parameters within which the HRC may make compensation offers and/or payments, prior to their submission to BEIS.
25. **Escalate to the Board** any issue which the HRC considers requires the attention of the Board.

E. DUTIES AND RESPONSIBILITIES WITH REGARDS TO CONFORMANCE WITH THE COMMON ISSUES AND HORIZON ISSUES JUDGMENTS

26. **Review** and constructively challenge reports, management information and financial information from the Historical Matters Business Unit, Legal Team and Post Office Limited BAU on work to ensure conformance with the Common Issues and Horizon Issues judgments and consider any recommendations and decisions sought.

F. REPORTING RESPONSIBILITIES/ INFORMATION SHARING/ GOVERNANCE

27. The Committee Chair shall **report** to each scheduled Board meeting on the nature and content of the Committee's discussion, recommendations and action to be taken.
28. **Report** to the Board whatever recommendations it deems appropriate on any area within its remit where action or improvement is needed.
29. **Report** on its activities in the Company's annual report describing the work of the Committee.

30. **Report** to UKGI and the Shareholder in accordance with the Operations Agreement as shown at appendix 1 or as subsequently amended with the agreement of all parties.
31. **Approve for recommendation to the Board** any changes proposed to the delegated authority to the Historical Matters Committee.

G. AUTHORITY

32. The Committee shall have authority to appoint to obtain, at the Company's expense, legal or other professional advice on matters within its terms of reference as required, up to a financial limit determined by the Board.

H. COMPOSITION AND GOVERNANCE

Membership

33. The Committee Chair and members of the Committee will be appointed by the Board, acting on the recommendation of the Nominations Committee.
34. In the absence of the Chair of the Committee at any meeting, the Committee members present shall determine who shall chair the meeting.
35. It shall consist of at least three members, including at least two independent non-executive directors and the BEIS Shareholder Representative.

Quorum

36. The quorum necessary for the transaction of business shall be two members.

Committee Secretary

37. The Company Secretary, or his or her nominee, shall act as Secretary to the Committee and shall attend all meetings to keep minutes and record actions.

Frequency

38. The Committee shall meet as often as required but at least 12 times per year.

Governance

39. Meetings may be held in person or by telephone or other electronic means, so long as all participants can contribute to the meeting simultaneously.
40. Notice of each meeting shall be given to all those entitled to participate at least two working days before the meeting.
41. Meetings for the Committee may be convened by the Secretary in consultation with the Chair, or by any member of the Committee, at any time. The Secretary will be responsible for setting the venue date and time of meetings in conjunction with the Chair. All papers supporting the meeting will be issued not less than 2 days in advance of the meeting date.
42. Minutes of each meeting will be circulated to all members of the Committee.

- 43. The Committee Secretary shall provide current and new Committee members with any training, briefings or induction required under the supervision of the Chair.
- 44. Only members of the Committee have the right to attend Committee meetings. Others may be invited by the Chair to attend all or part of any meeting, as and when appropriate.
- 45. The Committee shall have access to sufficient executive time and resources in order to carry on its duties, including access to the Company Secretariat.
- 46. If there should be disagreement between the Committee and the full Board, the Chairman of the Board shall make time available for discussion of the issue so that the matter may be resolved.

I. ANNUAL REVIEW AND APPROVAL

- 47. The Committee will undertake an annual review of its performance and the Terms of Reference. The outcome of these reviews will be recommended to the Board for approval (notwithstanding amendments approved by the Board whenever so required).

Approved by:	Date:	Version:	Effective from:
Post Office Limited Board		1.0	

POST OFFICE LIMITED

Appendix 1 – HSS POL/ BEIS Operations Agreement

HISTORICAL SHORTFALL SCHEME POL / BEIS HSS OPERATIONS AGREEMENT

Purpose

1. The purpose of this document is to establish a common understanding, between Post Office Limited (**POL**) and the Department for Business, Energy & Industrial Strategy (**BEIS**), of the operation of the Historical Shortfall Scheme (**HSS**, or the **Scheme**).

Roles of POL and BEIS

2. The creation of the HSS was agreed as part of the settlement of the Post Office Group Litigation (referred to as the “GLO”) in December 2019. Accordingly, both POL and BEIS and their respective agents will work to ensure that HSS is delivered successfully. In addition to resolving the claims that have been submitted to HSS, successful delivery of HSS will be an important milestone in resolving the issues raised by the Horizon IT system and restoring POL’s reputation as a business of national importance.
3. Throughout the duration of the HSS:
 - POL has responsibility for the design, implementation, administration, management and oversight and reporting of the HSS.
 - BEIS has responsibility for agreeing key decisions related to the Scheme, limited to those that affect its cost, fairness for claimants, the Value for Money being achieved and any major legal risk, as well as the funding; and
 - POL and BEIS are both responsible for progressing claims through the HSS expeditiously and avoiding undue delay.
4. Approval points and responsibilities have been set out in the flowchart in **Annex A** to reflect how the above roles interact with the decisions to be made.

Key Decision Points

5. POL and BEIS have agreed that BEIS has a number of approval rights in relation to the operation of the HSS. These are:

5.1 Case Assessment Guidance

The Case Assessment Guidance is a detailed guidance document prepared by Herbert Smith Freehills (**HSF**), solicitors instructed on behalf of POL, which sets out in detail the key applicable legal principles outlined in the HSS Terms of Reference and Consequential Loss Principles and Guidance. It will be used by HSS case assessors (**Case Assessors**) in their assessment of applicants’ claims to the HSS and in the recommendations they put forward for consideration by the HSS’s Independent Advisory Panel (the **Panel**).

BEIS will have the right to approve the Case Assessment Guidance prior to it being issued to the Case Assessors and any substantive variations after any such approval has been given.

POST OFFICE LIMITED

Appendix 1 – HSS POL/ BEIS Operations Agreement

After any such approval has been given, it is proposed that the Case Assessment Guidance is provided to the Panel in advance of claims being put to the Panel for assessment and recommendation and the Panel is given an opportunity to comment on the legal analysis in the document. BEIS will have the right to provide input to POL's response to the Panel's comments.

5.2 Guidelines for determination of claims by the Panel

POL will instruct HSF to put cohorts of similar claims (i.e. grouped claims for the same heads of loss) (the **Cohort** or **Cohorts**) to the Panel with the objective of developing guidelines for the assessment of similar claims going forward (the **Guidelines**). The claims constituting any single Cohort (anticipated to be in the order of 15 to 25) will enable the Panel to develop Guidelines which can then be applied to as many similar claims within the HSS (to those in the Cohort) as is possible.

POL will instruct HSF to work with the Panel to identify the issues for which the Panel wishes to develop Guidelines. POL will list the issues raised by the Cohort which is proposed to be put to the Panel. BEIS will have approval rights over the list of issues before the Cohort is provided to the Panel. If the Panel requests further or alternative cases to be included in the Cohort, these shall also be subject to approval rights for BEIS before they are shared with the Panel.

Subject to the views of Panel, it is proposed that the Guidelines could cover issues such as the Panel's fairness discretion and quantum ranges for differing types of claimed loss.

The purpose of the proposed Guidelines is to assist in ensuring a consistent approach is taken from the outset for all like claims, to streamline the process of investigating claims and to give POL and BEIS oversight on the approaches the Panel may take on these matters, and their anticipated financial implications.

BEIS will not participate in Panel discussions to develop the Guidelines, though it will have the right to review the issues to be considered and approve any subsequent Guidelines derived by the Panel. Although it is recognised that the Guidelines are not inflexible and all claims will need to be assessed on their own facts, POL retains final approval over all offers made by POL to applicants, which right of approval extends to BEIS through this Operations Agreement.

5.3 Determination of Precedent Setting Claims

Some applicants' claims are likely to set a precedent for how similar applicants' claims should be treated by the Case Assessors and the Panel, and consequently will have implications for the overall cost of the HSS. It is envisaged that all claims which are initially put to the Panel for recommendation and assessment have the potential to set such precedents.

POL will notify BEIS as soon as practicable of all claims within each new Cohort (including by providing copies of the relevant application documents and case assessments) in advance of their being put to Panel for assessment and recommendation until such time as BEIS considers that a more targeted and streamlined approach is appropriate.

POL will provide updates to BEIS reporting on the recommendations made by the Panel with respect to any precedent cases and the likely cost implications to the overall Scheme.

POST OFFICE LIMITED

Appendix 1 – HSS POL/ BEIS Operations Agreement

BEIS will have the right to approve any recommendation made by a Case Assessor to the Panel that is considered to set a precedent, including in respect to each Head of Loss, part quantified and unquantified claims. BEIS will retain the right to approve any offer made by POL to an applicant following a recommendation by the Panel.

Since it is expected that a number of applicants' claims may contribute to the setting of any given precedent, BEIS's approval rights will extend to all such applicants' claims.

A precedent setting case is considered to be any claim where a recommendation made by the Case Assessors or the Panel establishes a position regarding any given aspect of that claim or a position regarding the size of any offer made to an applicant that could be considered repercussive or determinative for one or some other applicants' claims.

As all initial cases in each Cohort have the potential to be precedent-setting, POL will work with BEIS to ensure that BEIS has visibility over all such cases and to provide BEIS with sufficient information, including as to the cost implications to the overall scheme of the precedent being set, with which to make an informed decision on the relevant cases or principles.

Once a critical mass of claims has been determined, POL will work with BEIS to agree which future claims should be treated as precedent setting (for example, a precedent setting case may be one where the recommendation, by either the Case Assessor or the Panel, is outside of a financial tolerance range to be agreed with BEIS). Subject to (1) agreement between POL and BEIS about the financial tolerance range, and (2) HSF's agreement that it can reasonably identify offers which fall inside and outside of that range, POL will procure HSF to identify any such case which falls outside of the financial tolerance range to BEIS, and BEIS will have the right to approve any such precedent-setting offer prior to it being made.

POL will work closely with BEIS during points 2.1 and 2.6 of the flow chart to consider and review precedent setting cases, and this will include such meetings as are required.

5.4 Escalation and Mediation

Since applicants to the HSS are not compelled to accept offers made to them by POL, POL has included a good faith meeting, an escalation meeting and a mediation stage into the design of the Scheme which an applicant can elect to pursue. POL will not make any increased offers to applicants at a good faith meeting, as the purpose of these meetings is to allow POL to explain to applicants the basis on which an offer has been made to them. BEIS does not have approval rights over these meetings. BEIS will however have the right to approve the parameters determining POL's negotiation position in relation to any escalation meeting or mediation meeting.

Value for Money Analysis

6. POL will provide BEIS with a Value for Money (VfM) analysis, updated from time to time, that demonstrates the merits of proceeding with the HSS instead of proceeding with any alternative options. Any anticipated increase in the expected overall cost of the HSS will require HMG approval and an updated VfM analysis.
7. It is understood that POL has provided BEIS with an initial estimate of £160m - £320m for settlement costs pursuant to the HSS. POL should provide BEIS as accurate a cost

POST OFFICE LIMITED

Appendix 1 – HSS POL/ BEIS Operations Agreement

estimate as possible, with updated information as the Scheme progresses, to enable overall cost of the HSS to be monitored and assessed against that estimate regularly. Updated cost estimates will provide a detailed analysis of movements in the cost estimate to include changes in claim estimates, claims settlement experience, movements in claims from unquantified or partially quantified to quantified etc.

Monitoring Arrangements

8. POL and BEIS have agreed to the following monitoring arrangements:

8.1 Monthly Monitoring Meeting

POL will meet with BEIS's working level team monthly, or more frequently if required, to discuss progress made during the operation of the HSS, including provision of updated monitoring information to BEIS within an agreed reporting template. This will include but is not limited to:

- MI covering all applications to the Scheme including a split by where they sit within the various stages of the HSS;
- an up-to-date cashflow forecast;
- an up to date cost estimate for the HSS (including explanatory notes);
- any major changes to the risks / issues assessment reported at the quarterly Senior Responsible Officer meeting; and
- Information to monitor POL and BEIS's responsibilities under the Public Sector Equality Duty (PSED).

POL and BEIS will agree an initial cost estimate and a template for monitoring movements in the cost estimate prior to any settlement offers being made to claimants other than in relation to *de minimis* claims. This will include target ranges for the number of applications processed and together with the initial cost estimate will be used as a baseline for monitoring going forward. This will be updated from time to time.

It is recognised that that monitoring information may change from time to time as the Scheme develops and/or other priorities arise over the Scheme's lifecycle.

8.2 Quarterly Senior Responsible Officer Meeting

POL will meet with BEIS's senior HSS team on a quarterly basis, including the BEIS Senior Responsible Officer, to provide an update on Scheme progress and outlook for expected cashflows and costs. The information reported at this meeting will be the same as the information provided at the most recent Monthly Monitoring Meeting but also include an assessment of risks and issues affecting the Scheme. This meeting will be a stocktake for BEIS and will provide the opportunity for BEIS to pause the HSS if VfM can no longer be established or if there are serious operational issues with the HSS until such time that these issues are resolved.

9. Should BEIS take the decision to pause the scheme as above, BEIS and POL will agree an action plan to resolve the issues identified with the aim of restarting progress on the scheme (or an alternative scheme to replace the Scheme to resolve legitimate claims under the Scheme) as soon as BEIS and POL are confident that the issues have been addressed. Issues should be escalated via the appropriate channels within BEIS and POL when required

POST OFFICE LIMITED

Appendix 1 – HSS POL/ BEIS Operations Agreement

10. BEIS reserves the right to undertake an independent audit from time to time of settlement offers made through the Scheme to ensure operating parameters are being adhered to.

Cost Sharing Arrangements

11. The cost sharing arrangements regarding the funding of the costs to deliver the HSS will be set out in the relevant Funding Commitment Letter.

Review Points

12. The operation of the Key Decision Points and Monitoring Arrangements will be reviewed before the end of March 2021, June 2021, September 2021 and December 2021 and thereafter as required by POL or by BEIS.
13. Through these Review Points BEIS may request that the HSS be paused should material risks / issues be identified and appropriate remedial action be taken in a similar manner as noted in 8.2 and 9.
14. BEIS reserves the right, acting in good faith and with reasonable justification to withdraw its support for the Scheme at any point. This includes, but is not limited to, if BEIS considers the overall Scheme cost has or could unreasonably increase above the estimated ranges (as updated from time to time), if VfM can no longer be established or if there are serious operational issues with the HSS. Should this be the case, BEIS and POL will work together in good faith and expeditiously to find alternative means to resolve legitimate claims under the HSS. The right of BEIS to terminate the support for the Scheme is without prejudice to the funding commitment of BEIS contained in the funding commitment letter dated [] 2021.

Other

15. It is recognised between BEIS and POL that the HSS Operations Agreement is considered a 'live' document that will be updated from time to time as needed.
16. Any amendments must be approved by both POL and BEIS respectively.

Version 6.2 as at 25 February 2021

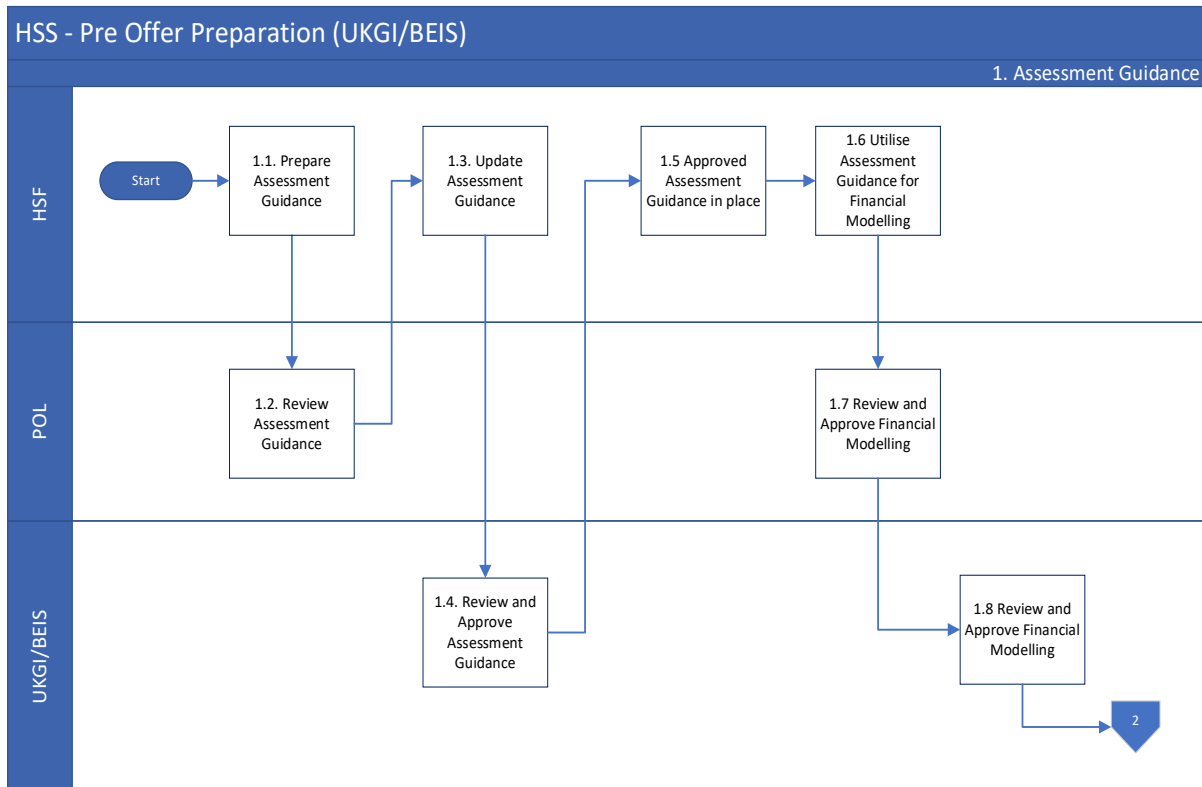
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Appendix 1 – HSS POL/ BEIS Operations Agreement

17. ANNEX A: Flowchart of HSS Process - Maintained in separate PDF – BEIS Assessment v 1.0 19.02 (extracted below)

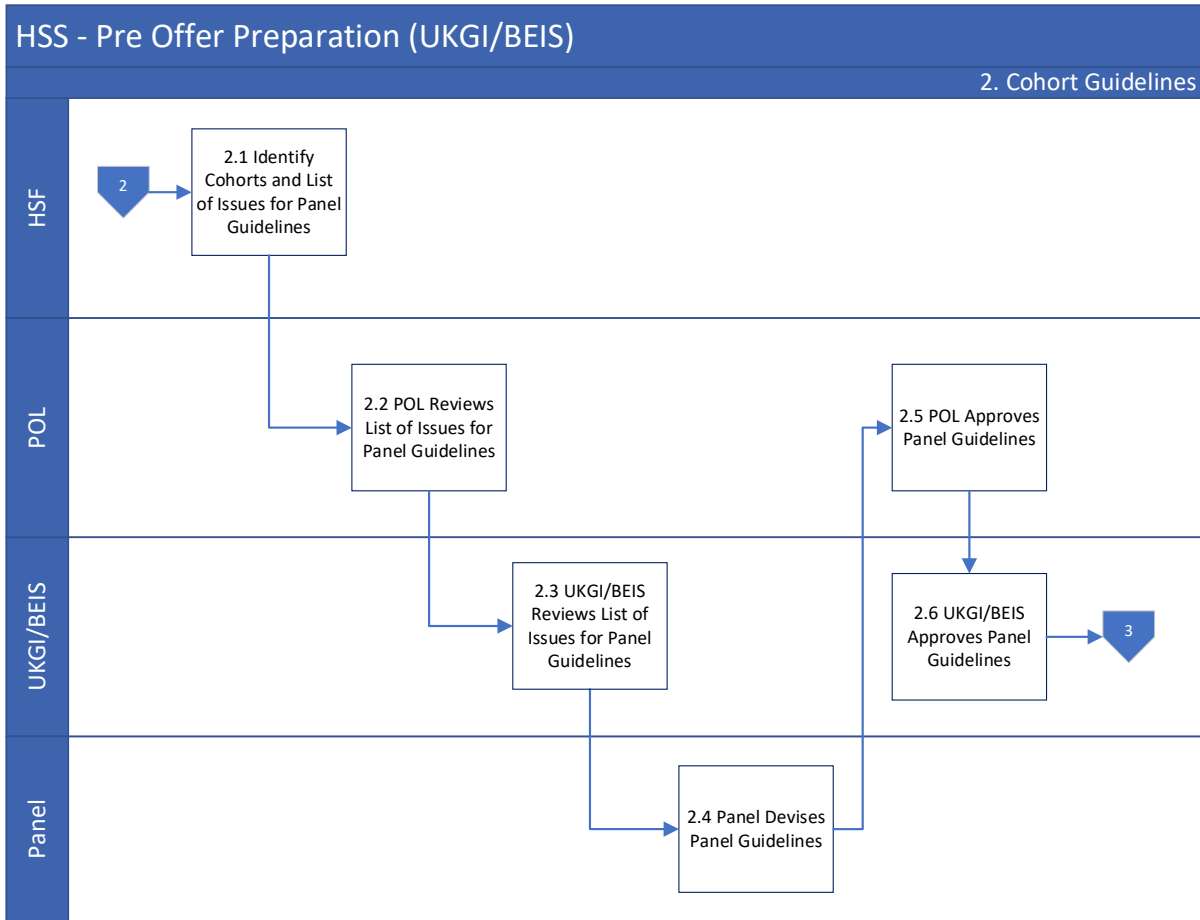


BEIS Assessment v1.0
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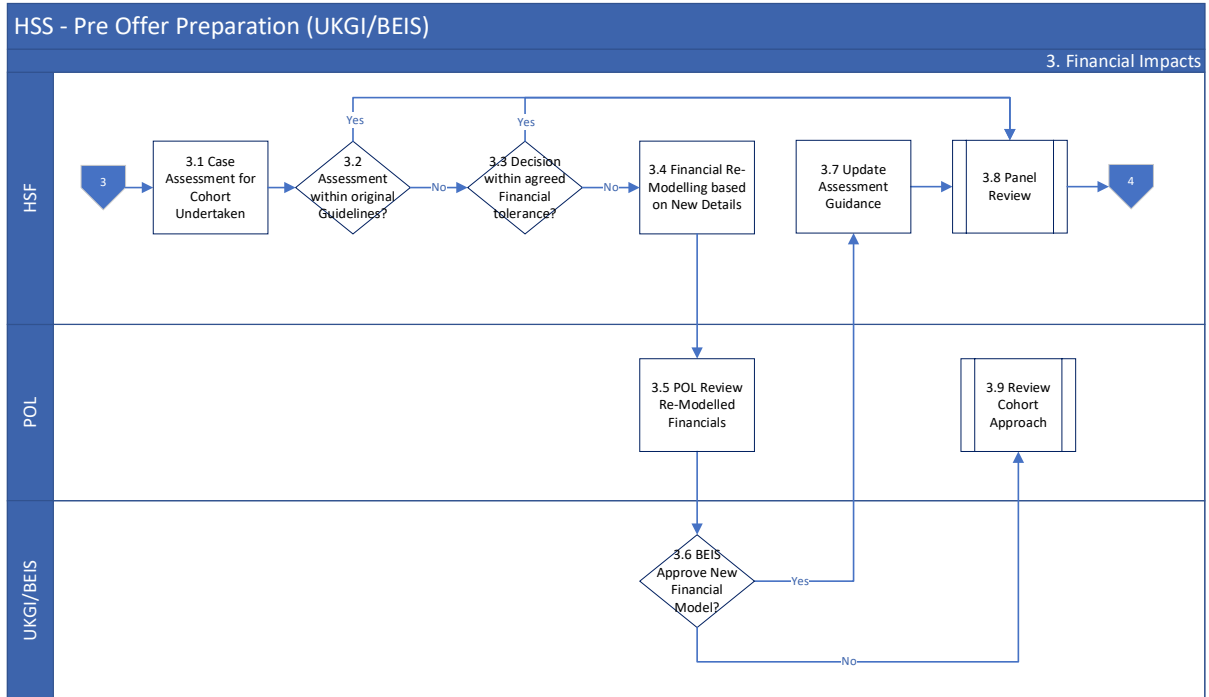
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Appendix 1 – HSS POL/ BEIS Operations Agreement



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Appendix 1 – HSS POL/ BEIS Operations Agreement



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Appendix 1 – HSS POL/ BEIS Operations Agreement

