

OFFICIAL SENSITIVE - COMMERCIAL



Post Office Limited (POL) Quarterly Shareholder Meeting (QSM)

On 14 September 2023 at 14:30pm

Held as a hybrid meeting via Microsoft Teams and at POL offices

In attendance: Carl Creswell, DBT Director (Chair) (CC)
Nick Read, POL CEO (NR)
Henry Staunton, POL Chair (HS)
Simon Recaldin, POL Remediation Unit Director (SR)
Asha Patel, POL Director (AP)
Owen Woodley, POL Deputy CEO (OW)
Diane Wills, POL Inquiry Director (DW)
Tim McInnes, POL (TM)
Kathryn Sherratt, POL Interim CFO (KS)
Chris Brocklesby, POL CTO (CB)
Beth White, DBT Deputy Director (BW)
Rebecca Stockbridge, DBT Manager (RS)
Lorna Gratton, UKGI Director, Shareholder NED (LG)
Roshana Arasaratnam, UKGI Executive Director (RA)
Rob Mackie, UKGI Executive Director (RM)
Ben Kennedy, UKGI Assistant Director (BK)
James Gourlay, UKGI Assistant Director (JG)

Apologies: Alisdair Cameron, POL CFO (AC)

1. Introductions and Actions from the Last Meeting

- CC opened and welcomed everyone to the meeting.
- CC noted that the single outstanding action has been closed. This action called for "culture" to be added to the agenda for the September meeting of the POL Board, which has been done.

2. A. Update against DBT's Four Strategic Priorities

- HS provided an update on progress against the Shareholder's four strategic priorities as set in the annual Chair's Letter.
 1. Effective financial management and performance: HS noted there has been a good start to the term for trading, with turnover and profit both up and with postmaster rem up to 51% of turnover. He updated on ongoing improvements to financial management and controls, including efforts to prioritise spend and monitor savings, including establishment of the new board Investment Committee which will be chaired by Andrew Darfoor to oversee NBIT and other change initiatives.

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2. Addressing Inquiry disclosure remediation: HS assured the group that POL continues to work tirelessly on this and noted that the additional work has meant costs have increased. HS stressed the importance of a break from the past under an entirely new management team none of whom were in post at the time of the historic issues.
 3. Maintaining and improving capacity, capability and resilience: HS emphasised that management, the board and the shareholder are all under huge stress, which would only really pass when the Inquiry was finished and settled, and that the focus was getting through the next 12 months.
 4. Facilitating the sharing of information in an open and transparent manner: HS stated that POL agrees with the Shareholder on this point and that resolve would be tested during the funding discussions. HS reiterated the importance of having the accounts signed by December, and his hope that PwC would agree that a strongly worded comfort letter is sufficient. HS closed by noting this is the main thing worrying the Chair at present.
- CC thanked HS for his update and agreed it is a challenging time and that it was important to continue to maintain productive relationships.
 - CC asked that Terms of Reference of the new InvestCo be shared with UKGI and the Shareholder. TM confirmed that the TOR had been agreed with the InvestCo Chair and would be shared the following week.

B. Simmons Review Recommendations on RemCo Governance

- HS acknowledged there is a lot to do, starting with looking at the RemCo TOR with their remuneration consultants Willis Towers Watson. Grant Thornton's wider governance review will pick this up as well. HS committed to keeping the Shareholder informed as their work develops.
- CC noted that the Simmons report drew a line under certain issues and provided an action plan to take forward. CC urged POL to ensure it was on the front foot and implementing the actions with a view to the next set of accounts.
- NR noted that the action plan had been approved internally and would be going to the Board in September before going to the Shareholder in a letter, including the three TIS issues which the Minister has asked for.
- CC thanked NR and noted that the Minister continues to have a keen interest in this matter.

C. Approach to Inquiry Disclosure.

- DW provided background to the disclosure issues which had arisen at the Inquiry over the past several months, and updated the group on the 5 September hearing. DW was hopeful that POL had done enough to mitigate the Inquiry's (and Postmaster Core Participants') immediate concerns and that we anticipated Sir Wyn confirming that Phase 4 could proceed.
- DW noted that they have leaned heavily on their service providers in recent months, with BSFf undertaking a root-and-branch review, and that POL has boosted resource within the team. Efforts to determine fault/cause/liability for the errors is underway and being led by an expert who has been recruited to work solely on this issue, along with an additional eDiscovery expert to provide constructive challenge to KPMG.
- NR reported that he had met with KPMG leadership that morning and expressed his expectation that mitigation efforts will continue. NR noted that the priority now is to continue collaborative working and operational excellence amongst POL, HSF, KPMG and Peters & Peters, and that the focus would shift to cost recovery in future, but that POL was keeping the point alive with the suppliers.
- LG relayed the Minister's view that maximising cost recovery is a priority and that POL would have the Shareholder's full support in those efforts.

3. A. Operational and Financial Performance

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- KS provided an update on current performance. Trading performance has been positive YTD, driven by slight mails upside, positives in the platform business and some cost upside. However the size of upside is very small vs wider funding challenges.
- KS reminded the group of the importance of this positive performance given headwinds, which she suggested is a testament to diversification and some positive outcomes against challenging market conditions.
- On banking, KS noted that the Shareholder will likely be interested in supporting and staying informed on Banking Framework 4 negotiations, which are underway.
- KS discussed projections of hitting full year budgeted trading profit given Bank of Ireland arrangements and interest rates.
- KS introduced Parcels Online as a first step in accelerating POL's mails strategy and helping in efforts to disentangle from Royal Mail, reporting that so far it is going very well. KS reported that Royal Mail is keen to join subject to agreeing appropriate margins.
- The group discussed the challenges of income from platform products not being shared with postmasters.
- The group discussed the £15.9m cost challenge, with KS flagging that the makeup and bounds of the sum would likely change. CC urged that POL take care that the challenge be met with genuine efficiencies and not underspends. KS reminded that the original composition of the Board approved savings list included a combination of one-off cost savings, recurring savings and cost avoidance - for the objective of redirecting to an increase in Postmaster Remuneration. KS offered to take LG through the detail, including how they are managing increasing costs in other areas which may offset savings.
- LG asked about DMB exits being behind schedule. NR gave an overview of the challenges of closing DMBs. The group discussed the merits of plans to close DMBs, and the difficulty of prioritising it vs running the business.

B. Funding Request Submission and Next Steps

- TM updated on the challenging timescales to getting the accounts filed, and on the progress of the business cases supporting the funding ask. TM asked that the Shareholder be mindful of the pressure POL is under to deliver the Baseline NBIT business case at speed and the limits of what is feasible. He asked that the Shareholder explore the possibility of pre-brief meetings for CMA and Investment Committee.
- The group discussed the process, next steps and challenges around funding and getting the ARA signed, including work on the security-headroom waiver and comfort letter.
- KS asked that Shareholder provide a date for signing the comfort letter.

C. Assurance Required on Funding

- CC thanked POL for their assistance with the useful Interpath report.
- TM noted that POL is ready for Interpath to do the NBIT portion at the right time.

4. A. Remediation Unit update

- SR provided an update on OC, including progress on the remediation principles and process. SR indicated he was pleased that a recent compensation case had gone "door to door" in under a week which showed it could be done.
- SR welcomed any proposition to get the full and final settlement efficiently to postmasters, and hoped for comfort on the details of how the £600k fixed sum offer would work.
- CC updated on the £600k fixed sum offer proposal which was going through HMT clearance and could be announced any day. CC noted presentational risks with the proposition including that £600k may be less than some recipients felt they were entitled to, but noted that recipients were entitled to decline the offer and go through the full claims route if they preferred.

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- SR raised timings of any potential announcement with CC and the group discussed parliamentary procedure, timings of comms, the need to brief the advisory board and legal representatives.

B. Proposals for HSS Closure and Appeals Process

- The group discussed the work to identify the issues with the scheme which is to be completed before Phase 5 of the Inquiry.
- The budget for the dispute-resolution process was based on 350 cases being received but this now appears to be an underestimate. SR noted that POL is working at risk on the tax-tops and GLO until funding is confirmed.

5. NBIT

- CB provided a “report from the coal face” on NBIT development, including that Release 2 is complete and has been through UAT with front-line staff. CB noted the upcoming challenge of persuading Royal Mail and partner banks to provide their approval for their systems to interact with NBIT. CB noted that a demo unit is available for use at Wood Street.
- CB updated on the Accenture review, which was in week three of its seven-week run. Accenture is on track to deliver the report for the October board and will focus on actionable insights to take up moving forward.
- CB updated on spend minimisation, including the narrowed focus on mails, banking and stamps and the limited 50-branch pilot deployment. CB noted the balancing act required to retain knowledge in this environment and outlined three phases: (1) Stood down whole teams (mostly at Accenture) working on future releases; (2) Going activity by activity, serving notice to contactors where necessary; (3) Looking at programmatic structure and where there are efficiencies to be found in duplicate resources/management. CB continued that there may be more savings to be found, including in procurement where procurements not needed immediately have been shifted to the right. CB noted that the STP and RTP programmes have reverted to a single SPMP, and that there was a need to remotivate and reenergise remaining resources to avoid needed people leaving.
- CC thanked CB for his update and thoughtful and considered approach, and recommended that CB have an introductory meeting with Jason Kitcat the DBT CTO.
- CC asked about negotiations with Fujitsu. CB outlined current arrangements with Fujitsu: Support runs to March '25 while Infrastructure expires in March '24. A request to extend Infrastructure to March '25 will come to the October board. The procurement strategy beyond March '25 will kick off early next year to extend those two contracts. To date POL has told Fujitsu that they would like a flexible agreement going forward without a precise end date, but Fujitsu would like to see a funded and well-planned SPMP so they know POL is serious about replacement. In short Fujitsu is happy to collaborate if they know POL is working to get out.
- LG suggested that NAO will likely scrutinise this area at some point and that POL, the Shareholder and UKGI should be mindful of this in decision-making and record-keeping.
- NR noted that NBIT is being onboarded onto the Government Major Projects Portfolio and asked what this means. The group discussed. LG noted that it provides external validation to HMT which may be helpful. TM expressed his hope that this will smooth things along.

6. People and Culture Change

- OW introduced the Ethos programme, including the programme's guiding beliefs and five workstreams. POL plan to start rolling out initiatives in early 2024, starting with an internal conference in April. The programme is expected to last for months and years.

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- CC asked that the action plan be shared for CIJ/HIJ follow-up.
- LG queried whether people would find it to be much of a change. OW responded that it will be a massive change and that some people may choose to leave the company, but the business needed to hold people to account and continue to address cultural issues.
- The group discussed the benefits of 360 performance reviews, which will now become a formal part of the performance rating.

7. Strategic Risks and Mitigation

- This agenda item was not reached.

8. AOB

None.

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Actions:

Actions Log				
Action	Owner	Status	Update	
15	POL to share CIJ/HIJ action plan as part of Ethos Programme	POL	Open	
14	CB to consider a meeting with Jason Kitcat to discuss NBIT delivery plans	Joint	Open	
13	DBT to provide an update on progress toward producing a comfort letter.	DBT	Open	
12	DBT to explore the possibility of business-case pre-brief meetings for CMA and Investment Committee	DBT	Open	26/09/23 – A pre-brief has been arranged for keyholders, but is not possible for the committee itself.
11	KS to take LG through the detail of their costs challenge plans, including how they are managing increasing costs in other areas which may offset a savings (e.g. increased headcount costs)	POL	Open	
10	Post-Simmons action plan to be shared with Minister, including an update on the TIS issues which the Minister was interested in	POL	Open	
9	InvestCo Terms of Reference to be shared	POL	Closed	26/09/23 – The TOR were provided to UKGI as part of the September board pack.

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8	Culture to be added to the POL Board agenda for Sept	POL	Closed	08/06/23 – NR agreed 'Culture' will be added to the POL Board for Sept.
7	POL to organise a meeting with UKGI and BEIS to review the plan for SPMP governance approvals.	POL	Closed	08/06/23 – Action was agreed to close,
6	POL must talk to BEIS and UKGI before any further funding is announced for postmasters.	POL	Closed	08/06/23 – Action was agreed to close, as POL has already made an announcement on this
5	Technology Rollout – POL to outline steps taken to ensure that costs are kept to a minimum. <ul style="list-style-type: none"> Update 10 Jan 2023 – POL to provide the UKGI to respond to Tim Parker's letter after the POL Board in Jan. 	POL	Closed	08/06/23 – Action was agreed to close as POL has already provided an update
4	Overturned historical convictions <ul style="list-style-type: none"> POL to share the relevant letter received from HMRC with BEIS and UKGI. 	POL	Closed	08/06/23 – CC proposed to close this action, as the HMRC letter has now been shared with DBT
3	Postmaster Detriment Pot B – POL to work with BEIS on funding proposal <ul style="list-style-type: none"> Update 10 Jan 2023 – POL to respond to BEIS/UKGI with a letter setting out the next steps following the Pot A funding approval of £16m. 	DBT/POL	Closed	08/06/23 – Action was agreed to close

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2	<p>UKGI to respond to Tim Parker's Letter on the work that POL has done to transform the cultural and process aspects of the business in response to the Inquiry.</p> <ul style="list-style-type: none"> • Update 10 Jan 2023 – UKGI to respond to Tim Parker's letter after the POL Board in Jan • RA in discussion with JD on cultural aspects 	UKGI	Closed	08/06/23 – CC suggested due to the ongoing work on this action, to close this action and was agreed by colleagues
1	<p>BEIS to confirm final ministerial portfolio allocations and then organise introductory meetings between new portfolio ministers and POL</p>	BEIS	Closed	