



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

MINUTES OF AN ADDITIONAL MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON WEDNESDAY 16 MARCH 2022 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 16:30 PM¹

Present:	Tim Parker	Chairman (TP)
	Tom Cooper	Non-Executive Director (TC)
	Carla Stent	Non-Executive Director (CS)
	Zarin Patel	Senior Independent Director (ZP)
	Saf Ismail	Non-Executive Director (SI)
	Elliot Jacobs	Non-Executive Director (EJ)
	Ben Tidswell	Non-Executive Director (BT)
	Brian Gaunt	Non-Executive Director (BG)
	Nick Read	Group Chief Executive Officer (NR)
	Alisdair Cameron	Group Chief Finance Officer (AC)
	Lisa Harrington	Non-Executive Director (LH)
In attendance:	Rachel Scarrabelotti	Group Company Secretary (RS)
	Max Jacobi	Strategic Financial Planning and Analysis Director (MJ)
	Cathy Mayor	Finance Director – Retail (CM)
	Kathryn Sherratt	Finance Director - Network, Support and Change Finance (KS)
	Tim McInnes	Strategy & Transformation Director (TM)
	Ben Foat	Group General Counsel (BF)
Apologies:	None	

Action

1. Welcome and Conflicts of Interest²

A quorum being present, the Chairman opened the meeting.

The Chairman noted TC's previously declared conflict of interest, as noted in the Company's Conflicts of Interest Register, in respect of TC holding office as a director of UKGI. In light of the subject matter of the meeting, the Chairman proposed that unless there were any specific queries for TC, that TC should not participate further in the meeting. As there were no specific queries for TC, TC left the meeting at 16:32PM.

The remaining 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. Funding Discussion

TABLED and **NOTED** were the following:

- (i) Correspondence from BEIS dated 11 March 2022; and
- (ii) A draft report from management titled, 'POL Funding and Spending Review – BEIS Updated Offer' dated March 2022.

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

² This meeting is an addition to the scheduled meetings so standard items such as minutes and matters arising have been carried over to the meeting on 29th March 2022.



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NR advised that he wished to speak to these 2 documents and share with the Board an update on how management had been working on the proposed funding offer, and how accepting the offer would potentially affect the Company for the next 3 years.

The Chairman asked for clarification as to whether the Board would be asked to pass any resolutions on the funding matters to be discussed at the meeting. NR advised that no Board approvals were to be requested at the meeting and that the purpose of the meeting was to bring the Board up to date with the latest work the executive had undertaken on the funding offer.

NR advised that although the figure of £335M was all that was left on the table from a financial perspective, that there were other items where the Company could look to negotiate.

NR outlined 3 areas of concern with the funding offer:

1. The implications for access criteria. NR queried whether the proposed funding level would result in more churn in the business which would make delivering against the access criteria even more challenging;
2. Security headroom and the risk of default; and
3. The Company's relationship with BEIS on HMU and costs, and whether the Company could be held accountable for HMU costs, as BEIS control was impacting the Company's behaviour in this respect.

NR advised that these concerns had been discussed with BEIS and that there may be some carve outs that the Company could look to achieve.

NR outlined the analysis management was undertaking, to understand what activities the Company may no longer be able to complete as planned, advising that the funding offer was simply not sufficient for the Company to complete all projects. NR passed to TM for his input.

TM advised that the funding offer represented a 33% cut as against the original funding request, and that some forecasts had increased, particularly HMU. The consequences of this was that management was really just focusing on the things that the Company needed to deliver, and not much else. In terms of what the proposed funding would cover – this was operational costs and keeping the lights on. Discretionary spending would sit outside the proposed funding. TM shared his view that IT cut backs could increase risk in certain areas, and that the Company's ability to manage risks that crystallise would be significantly reduced. Additionally, if an item increased in cost, BECS for example, the Company would likely have to cut something that could feel very difficult.

On the FD exit AC advised that the Company had to leave FD by June 2023. The proposed move would likely be to a short term serviced office, with a spend of circa £4-5M on fit out, working on a minimum amount to effect the move.

SI requested further detail on the proposed asset sales. TM outlined the plan to exit 3 sites.

In relation to SPM, ZP queried whether the Company needed to continue the project at the same speed as currently, or whether the project could be taken more slowly to achieve some headroom? ZP also queried what was proposed in terms of pay increases, and questioned whether the funding previously allocated for Starling could be released now. In response to the latter question, TM advised that the Company had to consider the possibility of an appeal, however if no appeal was brought, the previously allocated components for Starling should be able to come out of the forecast. In respect of ZP's query on pay, TM advised that a 3% increase was proposed. On the question of SPM, TM



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responded that although in theory SPM could be spread over a period of time, we needed to consider the position with Fujitsu, as, if we did need to extend, we could find ourselves in a position where Fujitsu could have a negotiating advantage over us. NR advised that the GE had discussed what a one plus one plus one extension would look like and had requested this option be investigated. AC shared his view that the risk of taking longer on SPM far outweighed the benefits of easing spend now, and that it would be unlikely that management would recommend this. [REDACTED]

[REDACTED]. LH advised that a slowdown in funding for SPM could result in the need to parallel run 2 x IT stacks for a longer period. This would be expensive and risky for data integrity.

LH queried whether management had considered the comment in the correspondence from BEIS around the divestment of PO insurance. NR responded that the comment was in there requesting the Company to look at the potential sale, and was not part of the settlement. EJ shared his view that the Company would not likely look on this suggestion favourably, given PO insurance was a profitable part of the business and the proceeds of the sale would be repatriated to the shareholder and not kept by the Company.

SI raised the Belfast exit and asked what needed to be done to stop costs spiralling on this project. SI advised that personally he was very disappointed with the proposed settlement and queried how the network could be maintained at this funding level; there simply needed to be a compromise from somewhere else.

NR turned to look at how the proposed funding could affect initiatives aimed at driving postmaster profitability, and advised that the commercial team had gone away to undertake analysis on what could be worked on. The Company needed to make sure there was sufficient funding allocated for driving the top line for postmasters.

SI asked where the government plans to embark on a review of some parts of the network was up to. NR replied that the work had been initiated, however the Company had not been consulted. This was an area NR was keeping a close eye on. SI shared his view that this was one area that if we kept pushing we could prompt a sensible response. NR advised that some consultation in the first year around network would be sought.

EJ observed that in looking at support for the network and postmasters, that the Board must not lose sight of why the post office exists – to provide services on the front line for the people we serve. EJ further advised that without investment, in things like automation, it would be increasingly difficult for postmasters to operate.

SI queried whether any savings were anticipated. TM advised that the numbers still needed to be worked through, however a £15M saving in SPM and a further £15M in HMU could be possible, with some further savings due to the Starling result. TM further advised that the numbers for the asset sales were forecast at the lower end – if we achieve the top side – this would add an additional £5M – £10M. In relation to the asset sales EJ queried whether the Company had additional surplus property. AC replied that additional property assets were frequently divested, estimating approximately 2 transactions were completed every week, however the proceeds of this divestment activity were not a significant part of the budget.

TM asked the Board if there were any further questions. There were no further questions. TM concluded by advising that management would look to maximise leeway on some of the various elements and achieve the best possible position on the funding offer.



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TM further advised that the current funding position would push consideration of the Annual Report and Accounts out. CS queried the likely timing for having the Annual Report and Accounts finalised. AC replied that the end of April was now looking likely, although there was still quite a bit of work to undertake to get to that point including obtaining PwC's sign off.

NR advised that the funding offer would be brought to the Board for further consideration at the Board meeting scheduled for 29th March 2022.

3. Any Other Business

There being no other business the Chairman declared the meeting closed at 17:09PM.

4. Date of next scheduled meeting:

29th March 2022.

GRO

Chairman

16/06/2022 09:39

Voting Results for Additional Board Minutes from 16.03.2022 (approved on 07.06.2022)

The signature vote has been passed. 1 votes are required to pass the vote, of which 0 must be independent.

Vote Response	Count (%)
For	1 (100%)
Against	0 (0%)
Abstained	0 (0%)
Not Cast	0 (0%)

Voter Status

Name	Vote	Voted On
Parker, Tim	For	16/06/2022 09:39