



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

MINUTES OF AN ADDITIONAL MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON THURSDAY 18 AUGUST 2022 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 18:00 PM¹

Present:	Tim Parker	Chairman (TP)
	Tom Cooper	Non-Executive Director (TC)
	Carla Stent	Non-Executive Director (CS)
	Zarin Patel	Senior Independent Director (ZP)
	Lisa Harrington	Non-Executive Director (LH)
	Saf Ismail	Non-Executive Director (SI)
	Elliot Jacobs	Non-Executive Director (EJ)
	Ben Tidswell	Non-Executive Director (BT)
	Nick Read	Group Chief Executive Officer (NR)
	Alisdair Cameron	Group Chief Finance Officer (AC)
In attendance:	Dean Brindley	Senior Assistant Company Secretary (DB)
	Martin Edwards	Network Strategy & Delivery Director (ME)
	Brian Gaunt	Non-Executive Director (BG)
	Tracy Marshall	Retail Engagement Director - Postmaster Effectiveness (TMa)
	Paul Liddiard	Head of Postmaster Remuneration Development (PL)

Action

1. Welcome and Conflicts of Interest²

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. Postmaster Remuneration

1. The Chair took the paper as read and invited NR to give an overview and the outcomes to be considered. NR explained that initial discussions had taken place to brief the Board ahead of the call but advised that it would be worth reprising some of the areas of the paper. NR stated the current position on remuneration was understood by the Board highlighting the significant changes over the last four years, noting improvements in financial years 18/19, 19/20 and 20/21 with setbacks encountered in 21/22. NR further highlighted the paper has been influenced by the feedback received from the work carried out by TMa in liaising with the NFSP, Voice of the Postmaster Group ("VPG") and 600 other Postmasters. NR invited TMa and ME to provide additional comments for the Board.
2. TMa made reference to the VPG and the recent activity arising from the associated Facebook page, confirming the current number of members to be 611. TMa noted that the page consisted of 6 administrators and identified the lead to be B. Johnson, who has a branch in Shrewsbury. TMa highlighted that the group had called for an urgent response to increase remuneration to support Postmasters and their businesses with the current surge in energy prices and difficult trading conditions. TMa further highlighted that the

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 27th September 2022.



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expectations of the increase from the VPG were unrealistic considering the same trading conditions would apply to POL stating that the group have also expressed views on the NFSP, citing a lack of independent representation and have requested more transparency around POL's 3-Year Plan ("3YP"). TMa informed the Board that members of the VPG had sent a total of 101 emails directly to NR raising around 300 issues, noting that the vast majority were related to remuneration including, increase of remuneration, information on increased cost of living experienced, concerns over the impact of MDA2 and non-delivery of objectives on network transformation, particularly the removal of the fixed element of remuneration for the main and local branches. TMa confirmed that a response was sent to all emails and as well further engagement from POL with B. Johnson and members of the VPG, reiterating their view for an increased remuneration. TMa further confirmed that VPG had created a public petition, and to date had collected 1,230 signatures, to call on support for Postmasters requesting an increase in remuneration from POL., where VPG have justified the request owing to the increased cost of living and a lack of support regarding holiday/sick pay.

3. TMa made reference to the NFSP and informed the Board that meetings had taken place with Calum Greenhow in respect of a status update on remuneration proposals, confirming that Calum's view was that the proposed amounts failed to meet expectations and particularly mentioned focusing on banking transactions. TMa added that NFSP were not comfortable with the actions of VPG and did not support their approach to raising concerns and advised POL to deal with matters in a sensible way. EJ made reference to B. Johnson and queried whether he was a current Postmaster. TMa confirmed B. Johnson was the Postmaster of the branch in Kerry. EJ informed the Board that he had attempted to join the social media page of the VPG, which had been rejected but instead received an offer to have a discussion. EJ confirmed that he had not yet replied, wanting to update the Board first.
4. NR stated that all thought had been given to the concerns received from Postmasters, acknowledging the importance of swift action, highlighting, the difficulties in satisfying concerns to full expectations. NR explained that the proposal will demonstrate POL's response, not as to remedy expectations of Postmasters in full but to offer a scheme of activity that will allow for progress to made. NR advised that it was important to recognise that the key element to consider was prevention, explaining that of 89% of branches that had churned this year, 47% had done so owing to financial reasons and that the proposal should be viewed with this in mind. NR assured the Board that the proposal had been produced with the input of existing Postmasters and Postmaster groups sourced from TMa's engagements and various forums including identifying the underlying issues with Banking/Banking framework on withdrawals and deposits, work completed but not remunerated and areas that will offer satisfaction in part of expectations.
5. ME advised that a detailed description was contained within the paper and summarised that the proposal was made up of three main components consisting of: an increase in banking deposit remuneration, correcting unremunerated transactions and measures to cause immediate benefit for Branches this year, which would be addressed later in the discussion. ME explained that Banking was considered the cornerstone of the proposal package, over the alternative areas of Mails and Fixed Remuneration, as it offered the broadest scope of impact and this was supported by a member survey conducted by the NFSP, highlighting Banking was considered in need of much focus. ME further explained the reasons for not using Mails included fallout from the recent MDA2 process and that top-up payments were still being made, this year, to Branches who are less or under the MDA2. ME advised that Mails should be reviewed for the next financial year. ME



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confirmed that 'Banking Framework 3' ("BF3") would be coming in force as of January 2023 and that POL had been signalling to Postmasters that BF3 would be used as an opportunity to review Banking remuneration. ME further confirmed that with the new measures, and the doubling of deposit rates, there would be an additional [IRRELEVANT] a year in remuneration available and highlighted that the issues surrounding the unpaid work agenda had been addressed. Referring back to his earlier point on immediate benefits to Branches, ME informed the Board that it was proposed that one-off payments be made in September remuneration, calculated on the basis of 5% of Branches' Mail remuneration for the April – August period and that rates of pay for Energy and Cash pay outs are doubled, noting a surge in the product line owing to the Network's role in distributing various voucher schemes, stating that this would be included for the remainder of the financial year to be back dated to April.

6. NR expressed that the objectives and reasonings behind the proposal should be clear and indicated from previous correspondence that it was expected that the topic for discussion would be whether the amount being offered was acceptable and would it be accepted by Postmasters, highlighting: incentives leading up to the Christmas period and what that would look like post-Christmas and to consider if there is an opportunity, to award a dividend or an incentive share if year end targets are met.
7. NR invited AC to address affordability of the proposal before taking comments from the Board. AC informed the members that it had been forecasted that POL would end the financial year [IRRELEVANT] above trading profit acknowledging that the forecasted figure does not reflect the current to-date profit amount stating this was due to the drag effect of Mails and cost pressures. AC explained that [IRRELEVANT] had been calculated for the current tranche of activity, which POL could afford and confirmed that the proposal of one-off payments is to combat concerns of material gaps in year 3 of the 3YP, which are expected due to ongoing declines in Mails, bonus defer to 2025, historical matters and technology costs. AC expressed to the Board that he felt the proposal was the correct approach to be submitted to Postmasters with a view as suggested, to signal to Postmasters that continual review will be carried out on remuneration with the objective of providing a revised offer at the November conference, adding that numbers in November and subsequently after Christmas would provide more accuracy on figures to devise an incentive share based on budget performance. AC confirmed his support, expressing his optimism to be able to achieve more based on further review and cautioning that consideration be given to the outer years of the £3YP even though remuneration increases have been budgeted.
8. The Chair asked for clarity, that all things considered, was it believed that POL could afford the [IRRELEVANT] of costs as per the proposal. AC confirmed that to be the case.
9. NR summarised that all points had been presented to the Board and that a decision would be required on agreeing the proposal subject to a revision of figures to be presented in the November conference with incentive information in Mails and Travel. NR acknowledged that the main area of concern for EJ and SI was around the one-off non-consolidated payments and understood the current amounts suggested would not solve issues currently faced by Postmasters but would demonstrate that POL is listening to Postmaster concerns.
10. SF confirmed to the Board that his view on the proposal as it stood way under expectations, declaring the amounts should be at least doubled to cover the increase of costs outlined by Postmasters. SI informed the Board that, in respect of the one-off



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payments, the amounts proposed did not even compare to that which is awarded as a staff bonus and would not cover the increased expensive caused by the cost of living questioning the fairness of the decision. SI added that gaps in the 3YP were appreciated and acknowledged that an increase on proposed figures could create more gaps over years 2 and 3, advising that Government would need to be consulted on additional funding, stating that an additional request should be expected as an inevitable course of action when there is no scope for the volume of historical costs that will arise. SI informed the Board that Postmasters had not received an increase since 2015, compared to other parts of industry that have received increases ranging between 6% - 11% and that for POL to produce an offering around 3% would be embarrassing. SI acknowledged that the current opinion on the approach of VPG may be viewed aggressive however confirmed that POL's engagement was being monitored by the un-associated Postmasters indicating that there is an opportunity to restore trust by presenting a figure more aligned to expectations. SI added that it was understood that Postmasters want to be able to trust POL as a professional body to do right by them rather than be left with the alternative of having to join one of the aforementioned groups to get a reaction.

11. SI addressed the funding issues raised by AC and stated that efforts should be increased to find additional funds, reiterating the importance that the proposed figures should be increased. With reference to Banking being the cornerstone for the proposal offer, SI agreed it was a good starting point at doubling rates but would still not satisfy on this basis alone, adding that it was underappreciated how much effort Banking requires and that the risk to reward ratio is still unbalanced. SI stated that from feedback received and from his own experiences, high street and town centre branches differ significantly in Banking transactions and the current proposed figures would not provide as an effective reward as initially perceived. ME confirmed that Town and City branches were more indexed towards Mails as they have not yet experienced the same number of Bank closures, justifying how the one-off payment was being based on Mails remuneration confirming that POL received a IRRELEVANT increase to the exceptional remuneration budget, which allows for a case-by-case assessment to be carried out for exceptional remuneration much of which will be allocated to the struggling Town and City centre branches. SI explained that prior to the meeting an alternative to the proposal had been suggested to ME in giving Postmasters a short-term fixed income to the end of the financial year, enabling POL as a business time to focus on revising remuneration for the next financial year. SI advised that all suggestions should be considered and reiterated his view that the amounts in the current proposal are not enough to offer Postmasters.
12. EJ offered his comments on the proposal agreeing with SI, that amounts offered were underestimated and would not meet Postmaster satisfaction, totalling on average, a top-up of £193, which does not accurately reflect the overall increases incurred. EJ also supported the view that the proposal was a critical move for POL to demonstrate a clear understanding of Postmaster support and this should be reflective in the budget, highlighting that in other industries, strike action was being taken in order to achieve double of what is being offered here and expressed that Postmasters would prefer not to be left in a position where such measures need to be taken. EJ accepted the suggestion of further revision on remuneration to be presented in November and then again in March in preparation for the minimum wage increase but still advised the initial amounts should be increased ahead of Tuesday's conference. EJ reminded the Board that the energy cap does not apply to businesses so figures would be severely unbalanced when compared to the increased costs experienced by individuals with no limit to that what a branch can incur. EJ expressed concern that if the proposal was submitted unrevised it would indicate that the input of the Postmaster has been disregarded. EJ Informed the



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Board that while he understood AC's point on affordability, it was respectfully suggested that POL seem to be able to consistently find additional funds, of which, the Board signs off on huge over-run costs on various projects and the same should be applied to the proposal without debate, especially when some of the over run costs far surpass that what would have been required for a fairer offer. EJ expressed to the Board that POL needs to do its utmost to find additional funds to improve the proposal offer and suggested that if funds could not be found then POL would need to seriously consider making cuts in other areas of the business stating that POL has a commitment to 11,500 branches which is not movable, whereas something like central operating costs is if money can't be saved at the frontline adding, that in terms of the 3YP, POL has time to find the additional funds. EJ highlighted that there had been good traction with Platform products and attributed a large portion of the current success with the products was a result of Postmasters and Post Offices delivering a trusted brand on the high street but stated that there is no incentive or reward in place for doing so, welcoming the suggestions of profit share but advising there still a lot to be considered in devising a more appropriate offer. EJ acknowledged that challenges were unlikely to be met by Tuesday's deadline but accepted an offer is expected to be made. EJ agreed with the proposal of doubling Banking deposits and the importance of raising remuneration but highlighted that a one-off/lump sum payment would be the correct response to short term challenges urging POL again to revise figures.

13. ZP addressed EJ and acknowledged the financial burden experienced by all individuals and in particular Postmasters, due to very little leeway. ZP queried that if the proposed amounts were to be doubled what short term compromises could be made, exemplifying in another organisation, staff were being asked to take a pay-cut to support those most in need. ZP suggested that a temporary hold be placed on Belfast Exit or SPN advising that it's owed to Postmasters that POL have gone through the process of exploring areas of compromise or take higher risk elsewhere for a short-term hit. ZP agreed overall the amounts were not appropriate but understood that challenges faced with affordability. The Chair expressed the key point was to understand the implications of increasing the offer. AC informed the Board that conversations on how figures could be revised had taken place outside of the meeting which could be shared with the Board, explaining that AC was sceptical about cutting operational costs, citing recruitment costs are accepted to be 20% more expensive than in-house staff and was not confident that lower operating costs could be achieved over time. AC confirmed that consideration could be given in reducing central costs, but that would in itself have cost implications to which there is no funding available adding that it unclear how, when and with what chance of success, POL can ask for additional funding from Government. AC indicated that on the basis that POL are 5 months into a 36-month deal that took 27 months to negotiate, it was unlikely additional requests would be considered and offered an alternate suggestion of borrowing money from Government in order to cut POL's costs but highlighted the same uncertainty of success. AC addressed the final option would be to automate Head Office processes but pointed out the obvious cost implications of redundancy resulting in the same funding issue. AC confirmed that the suggestion of stopping Belfast Exit is being actively explored. AC advised that when the Board reconvenes for 3 year planning in September all of the information on the suggestions explored and the outcomes will be shared.
14. CS advised that that the one-off payment should be viewed as short term fix in order to provide a bridge into the 3YP and suggested that efforts should be focused on creating a credible amount to be offered to Postmasters, indicating that the offer should at least be



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the same as to what is offered to internal staff referencing that other organisations had offered payments in the ranges of £1,200 – £2K.

15. LH agreed with CS's point on the short-term fix and advised that the one-off payment should be in conjunction with signalling something more significant, encouraging earlier mentions of a profit share as being the correct trajectory for the 3YP. LH stated that the proposal felt rushed and was concerned that not enough time had been allowed to explore all options. LH also agreed with AC's suggestion of stopping Belfast Exit as a means to source funds of the correct magnitude to be applied to the proposal for Postmasters.
16. BG asked whether there was any guidance from Postmasters indicating what would be deemed an acceptable offer as this would provide a total of funding required and subsequently highlight POL's ability to meet expectations or at least be able to close the gap. EJ explained that in other businesses, between 5.5% – 6% was being offered against what will be at 14% inflationary market reminding the Board that Postmasters are not just individuals in every case and that their overheads are reflective of areas that of far greater consequence when taking into consideration issues such as an increases to the National Minimum wage and uncapped energy costs. EJ advised that the proposal amount should be at least doubled in order to be considered a serious offer.
17. The Chair expressed that the Board was agreed on the sentiment of being able to offer more to Postmasters, noting EJ and SI's suggestion of doubling the initial amount and the fact that an offer is expected to be made on Tuesday. The Chair also stated that while supported, any attempt to increase offers would require the proper time to explore options and the implications of where the additional fund is pulled from. The Chair suggested that if a more suitable one-off payment could be agreed then this could be announced on Tuesday together with assurance that POL will continue to review remuneration with the intent to provide further payments in the future.
18. SI advise that any requirements for time would need to be supported with a strict deadline to give Postmaster's assurance of an outcome is provided in a timely manner.
19. The Chair questioned whether the conference on Tuesday could be delayed allowing for exploring points raised and revise the proposal. NR advised against rescheduling the conference stating it was vital to proceed as planned to meet the calls to action from Postmasters. NR agreed with the views on a short-term fix with intent of providing future payments in November and stated that the proposal as it stood had been created with this in mind and within the affordability of POL, advising against the suggestion of doubling initial offers without proper investigation.
20. TC asked NR whether he believed the proposal, as presented, would be accepted by Postmasters at the upcoming conference. NR confirmed that while it was accepted that not all expectations in terms of reward would be met, NR confirmed the proposal did demonstrate a credible plan reinforced with signalling additional payments in response to calls for action. TC raised concerns around signalling too much ahead of time and that consideration would need to be given BEIS if a funding request is likely to made within the next twelve months highlighting that while he agreed with the suggestion of a profit share, it was viewed that the language around it can be contentious. NR agreed with TC responding that additionally to the option of profit share, options around a dividend or incentive scheme were also being explored to provide a more attractive long-term



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solution. TC reiterated ZP's earlier comment regarding the pressure for POL to identify cost savings from the 3YP and what can be done to compensate the business.

21. The Chair informed the Board that it is recognised that NR and his team are confident to deliver the proposal in its presented form and that strong opposition had been received from EJ and SI in respect of the amounts that had been suggested. The Chair explained that despite strong arguments put forward for an increase, the Board could not ignore the fact that without proper investigation into funding any increase would fall under what POL can realistically afford at present. The Chair asked EJ and SI to clarify their position on the basis that at the conference the proposal is made with strict deadlines in and place with signalling of future payments. The Chair explained that progression is key and wanted to avoid a deadlock situation between Board members. EJ agreed that the announcement should not be delayed and POL would need to present something adding that even with the assurance of continued remuneration review and strict timelines the amounts suggested for the one-off payment are still not enough to be considered a credible offer. EJ advised that an approach similar to how POL responded to Covid should be applied here in that support was reviewed on a month-by-month basis. EJ added that it was viewed that the numbers calculated had been flattered by the banking deposit income line being depicted at IRRELEVANT when realistically it was more like IRRELEVANT considering that remuneration was increasing in January 2023.
22. EJ stated that he could not support the proposal in its current form.
23. The Chair expressed the importance of finding compromise to move forward and come to a decision that would satisfy the views of EJ and SI, noting their support would be key in the outward perception of POL to Postmasters. The Chair stated that it would not be possible to make a decision during the meeting to increase amounts without the proper investigation and suggested whether support could be gained from focusing on how and when amounts could be revised and increased to meet expectations.
24. With regards to revising the figure of the proposal, SI suggested he would accept the Board taking the decision to a vote by a show of hands. SI acknowledged the implications of cancelling/rescheduling the conference but felt it was necessary in order that the proper revisions could be applied and suggested that he would be comfortable with publicly identifying his opposition as the reason to postpone the announcement with the intent that POL would reconvene in a structured manner with assurance of increased amounts. SI supported earlier comments from CS and LH in that the proposal is deemed rushed due to a kneejerk reaction towards activity of various Postmaster groups.
25. SI reaffirmed his position that he could not support the proposal in its current form and insisted the 3YP would have to be revised to incorporate inflation and other external factors already discussed.
26. The Chair asked the Board to confirm its position given the opinions expressed throughout the call.
27. AC supported the proposal.
28. BT agreed that Postmasters should receive more and would like to have time to explore other options and would prefer the proposal to be used as short-term fix but supported the proposal on the basis that the remuneration would be investigated heavily with intent on delivering an acceptable revised offer at the next conference.



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29. BG agreed with the suggestion of BT and confirmed support of the proposal on the basis that the remuneration would be investigated heavily with intent on delivering an acceptable revised offer at the next conference.
30. CS confirmed support of the proposal under the provisions as suggested by BT and supported by BG.
31. NR reminded the Board that the proposal was the result of a Postmaster call to action and it demonstrates POL has listened and responded accordingly, highlighting it was critical that this is communicated to Postmasters on Tuesday. NR highlighted that the fundamental issue surrounds the one-off payment and acknowledged that more could be done to increase the amount and suggested that an offline discussion would need to be had on the approach, and this would be delivered together with a set of clear stages on the payment plan process, with accountable assurances from POL.
32. The Chair stated that despite views on the one-off payment, it was supported and agreed that NR had provided strong argument and analysis that the proposal demonstrates a full assessment of issues raised and the appropriate outcomes, advising the Board to support the proposal and make a decision on that basis. The Chair advised that the opposition of EJ and SI would need to be formally noted with the intent that figures would be revised substantially and presented in November.
33. EJ stated that he did agree that the proposal had dealt with a number of issues raised from the Postmasters and an update on those issues was vital but explained that the main reason for his opposition was the bottom-line figure not meeting expectations.
34. The Chair noted the comments from members and ask the Board to now consider the position under NR's most recent suggestion that the one-off payment would be addressed urgently for a proposed increase.
35. ZP confirmed support of NR's final analysis on the provision that the revised amount could be agreed ahead of Tuesday.
36. BT confirmed support of the proposal under the suggested one-off payment revision.
37. BG confirmed support of the proposal under the suggested one-off payment revision.
38. CS confirmed support of the proposal under the suggested one-off payment revision.
39. LH confirmed support of the proposal under the suggested one-off payment revision advising that focus would need to be applied to urgency and pace reflective of approach to Covid.
40. TC confirmed support of the proposal under the suggested one-off payment revision.
41. The Chair noted the support from the majority of the Board and acknowledged strong arguments from EJ and SI in favour of a figure that was significantly more than what was proposed today and noted that support would not be given until EJ and SI could be satisfied that real progress has been made for numbers to be presented in November. The Chair asked EJ and SI to provide wording in forming their opposing statements and



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suggested whether the statement could agree to endorse the direction of the proposal while maintaining the argument that amounts are not enough and should be revised.

42. EJ confirmed that he would be willing to agree to a statement on those points and welcomed NR's suggestion of revisiting the one-off payment amount. EJ agreed with the direction of the proposal but advised clarity would be needed around future steps and advised that measures taken with Covid support could assisted with how the communication is shaped.

43. SI asked NR when the revised figure for the one-off payment could be expected. NR advised that GE would discuss after the meeting with the intent to have a response on Monday ahead of the conference.

Resolved: The Board APPROVED the recommendations of the proposal on a majority vote with oppositions received from EJ and SI. The Board's approval was agreed on the provision of urgently revised figures for the one-off payment and a clear plan for the payment process. The Board NOTED that the issue of Postmaster Remuneration would be returned to the Board for further consideration.

3. Any Other Business

There being no other business the Chairman declared the meeting closed at 19:27.

4. Date of next scheduled meeting:

Ordinary Board Meeting – 27th September 2022.

Tim Parker

-----20/09/2022 10:05

Chairman

Voting Results for Additional Board Minutes from 18.08.2022 (approved on 27.09.2022)

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	29/09/2022 10:05