POST OFFICE LIMITED BOARD MEETING (Strategy Session 1)
Strictly Confidential

MINUTES OF A STRATEGY SESSION OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON TUESDAY 27 JULY 2021 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 15:00 PM

Present:	Tim Parker	Chairman **(TP)**
	Tom Cooper	Non-Executive Director **(TC)**
	Ken McCall	Senior Independent Director **(KM)**
	Carla Stent	Non-Executive Director **(CS)**
	Lisa Harrington	Non-Executive Director **(LH)**
	Zarin Patel	Non-Executive Director **(ZP)**
	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:	Veronica Branton	Company Secretary **(VB)**
	Richard Taylor	Group Corporate Affairs, Brand and Communications Director **(RT)**
	Tim McInnes	Strategy and Transformation Director **(TM)**
	Dan Zinner	Group Chief Operating Officer **(DZ)**
	Amanda Jones	Retail and Franchise Network Director **(AJ)** (Item 3.)
	Tracy Marshall	Postmaster Effectiveness Director **(TM)** (Item 3.)
	Katie Secretan	**(KS)** Strategic Partnerships Director (item 3.)
Apologies:	N/A	

Action

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. Introduction to the Strategy Sessions

Nick Read recapped on the position a year ago and the agreement with BEIS that POL was a commercial business with a social purpose. Our focus over the last year had been on providing compensation to Postmasters in connection with historical prosecutions and errors, making changes to ensure conformance with the Judgments and further improvements identified. We wanted to spend the next day looking forward through four key topics: Postmaster Engagement; Network; Commercial; and Technology.

3. Session 1 – Postmasters: Engaging with independent postmasters and strategic partners to build stronger partnerships

Dan Zinner and Amanda Jones introduced the discussion. We often talked about Postmasters but not often about our Strategic Partners (SPs), with whom we wanted to engage in a different way. We would talk in the session about our options on engagement with Postmasters and SPs and the position with the National Federation of Sub-postmasters (NFSP). By 2025 we wanted to be a sustainable and trusted franchise business and had set out the work we needed to do to get to that position. We had worked with Quadrangle and considered the elements of the trust model, which needed to be in balance:

1) **Empathy.** Over half of Postmasters reported a poor relationship with POL. We had been working on organisation culture, including "Adopt an area" for senior leaders, appointing Postmaster NEDs. seeking to appoint a Postmaster Director to drive

POST OFFICE LIMITED BOARD MEETING (Strategy Session 1)
Strictly Confidential

engagement. There was an appetite amongst Postmasters to get more involved with POL on key six areas identified

2) **Authenticity.** We had to be humble and acknowledge the work that still needed to be done. The feedback from Postmasters was that Network Transformation had been mis-sold and there was scepticism about whether we were running a genuine consultation on MDA2 remuneration rates
3) **Logic.** There had to be a rationale for what we did next to build trust.

Two years' ago most Postmasters did not have an Area Manager (AM) and SPs did not understand POL's strategy. We had engagement forums, but these were ad hoc and we wanted to formalise the structure. The AM played a pivotal role in the day-to-day relationship with Postmasters, but the question was how we continued to build on this trust. The natural progression was to set up a formal forum structure which linked up through the Voice of the Postmaster meetings. This would help to bring to together the elements of trust: empathy, authenticity, and logic.

Strategic Partners

Katie Secretan reported that we had 34 multiple partners, the majority of which were within our top six brand partners. McColls and WHSmith were our largest partners. The SPs provided a broad coverage for the population with good locations and providing network stability. It was more resource efficient for us to secure bigger deals and we had some scope to bundle services which could save our partners money. However, there was a balance to be reached between "having too many eggs in one basket" and being too small to be of real relevance for our SPs. We had scope to diversify outside convenience but we had ground to make up on trust and delivery with SPs, although our brand was strong. We were starting to develop propositions that our partners were excited about. There was a platform for change and scope for a different conversation with our SPs.

Our Teams were working day-to-day with our SPs and the decision-makers. The engagement was HQ driven and data driven. We wanted to widen interaction with the GE and the SLG. We were proposing Monthly strategic meetings (Strategic Operators Forum) at which there would be a deep dive into a single topic. This Forum would be chaired by KS and topic lead/s would be from the SLG. There would also be an Executive Forum, which had already held its first meeting, the feedback from which was very positive. Structured account management would also be put in place. We were considering whether our commercial structure/ messaging could be across SPs or if this needed to be more tailored.

KS described the purpose of the meetings, which were in part in response to feedback from our partners, but also drew on the approach taken by other franchisers, including her own experience from Costa. It was easier to coordinate with technology like Microsoft Teams in place. There were many topics to address but we would consider the frequency of meetings further. We wanted to share insights at a formal level, leaving more detailed trading questions to be covered at an account level. It would be helpful for our SPs to have a good understanding of our strategic plans.

Postmasters

AJ noted that our SPs had different needs to independent Postmasters. A regional forum structure would allow for two-way engagement for Postmasters, the networking was valued and common issues could be raised at a national forum. We wanted to be transparent in our communications and allow a cross section of voices to be heard, with regional meetings chaired by the Regional Managers. We were also proposing to set up a national forum for Postmasters and would publish a summary of the discussions. This forum would be seeking input to help shape strategy and decisions.

POL00448646

POST OFFICE LIMITED BOARD MEETING (Strategy Session 1)
Strictly Confidential

Postmasters would self-nominate for the Regional Forums with the Regional Managers making the selection. We could take a more or less prescriptive approach to establishing and running the forums and there would be advantages and disadvantages to either approach. We would have to consider Diversity & Inclusion and the responsibilities linked to the various roles.

A number of points were raised and addressed:

- Ken McCall thought that monthly meetings were too much and that twice yearly meetings would be right at Executive level but were likely to need to be tailored to the individual company. Bringing together a large group across multiple partners in one forum could create a different problem to the current absence of formal engagement structures; any such meetings should be about non-controversial issues and the future strategy of POL. The frequency proposed would not get attendance at the right level of the SP. Lisa Harrington and Carla Stent shared KM's view on frequency of meetings. LH noted that at Microsoft these meetings took place annually but had genuine ability to influence and provide insights with ground rules set on what information could be shared
- Ben Tidswell noted that we needed to consider competition law on how much information could be shared with and between SPs
- Saf Ismail asked about what would happen if an SP did not meet the standards required by POL
- Zarin Patel thought it would be useful to understand how we acquired the right strategic partners
- KM asked what would happen if, say, Amazon became a partner with Coop. The potential for such partnerships underlined the need for some rules of engagement. We also had to work out what we would do if a major partner decided to stop running Post Offices as well as understanding the idea shape of our SPs
- Tim Parker asked whether we had considered clearly enough what problem we were trying to solve. Some of the SPs would be of scale and where this was the case there would need to be a 1-2-1 meeting, while there might be a different approach for smaller SPs. Getting together all of the SPs could end up wasting time for all parties and there was a danger of moving from one extreme to another on engagement
- Tom Cooper asked what percentage of our sales came through SPs and Dan Zinner reported that it was 25%. TC also asked about the differences in how we managed our different SPs and DZ offered to provide more base information on how we managed our SPs as well as considering further the points raised on frequency of meetings and competition law issues

Action (and other points raised during the discussion): DZ/ AJ/ KS/ TM

- LH asked how engagement groups like the IT group would fit into this structure; she would prefer some formality around the engagement approach and noted that its success could hinge on the Chair. SI added that if we wanted to take a different approach to engagement the Regional Managers might not be the right Chairs for these forums and we should consider what other options we had. There was a danger of larger forums ending up with "the loudest voice being heard" and we had to make sure that good people were involved. It was also useful to understand why people did not get involved as there was a challenge here. Elliot Jacobs added that if we wanted to win hearts and minds there would need to be authenticity and openness
- Carla Stent thought that the Postmaster forums were a good idea but asked how feedback be dealt with and filtered. There would need to be a consistent message and briefing from HQ. Consideration could be given to having region specific criteria for appointments
- KM was happy with structure for the Postmaster engagement forums but questioned the frequency and coordination again but noted that many of these matters we for management

POST OFFICE LIMITED BOARD MEETING (Strategy Session 1)
Strictly Confidential

- ZP noted that a key test was whether the forums "had teeth" in the eyes of the Postmasters
- EJ noted that a staggered step down from the forums would be better to avoid losing too much knowledge and experience at a single point. The Covid Group had worked well by having a fixed cycle of meetings but with the option to convene a critical call as required. People would need to understand their roles and responsibilities clearly, including that they would need to be an advocate for Post Office. POL also needed to give something back to those participating (e.g. help on how to run your business). The meetings would need to take place out of hours. The connection with other Postmasters was often what was valued part of the meeting
- TP agreed that the meetings should not be held too frequently and that we needed to get good people involved. Smaller groups were often better, the meetings had to matter and there had to be prestige attached to them. A social element from time to time could be helpful though not every meeting needed to be a physical meeting. There needed to be recognition for people who participated and the contribution they made to the business. Occasional attendance by senior people could be helpful but should not be as a matter of course. Organisations generally earned credit for what they did and not what they said and we had to give people evidence of this in order to change their mind about POL. TC added that guest slots with people such as Zdravko Mladenov to explain the SPM programme could be helpful. SI noted that it would be very important to reconnect with disconnected Postmasters.

NFSP

AJ described the role of the NFSP. The organisation had been facing insolvency some years ago in the absence of funding from Postmasters with the likely result of their being replaced by the CWU as the Postmaster representative. POL had stepped in to provide funding but NFSP were not a compelling representative body for Postmasters and the findings of the Common Issues Judgment on their lack of independence also had to be addressed. The NFSP also provided advice and support to Postmasters on some issues but their self-generated income was minimal; they were sensitive about their role and potential changes to it as well as the emerging role of the CWU.

We had mitigated the underlying criticisms of the Judgment but had not amended the clauses in the Grant Framework Agreement (GFA) yet. The NFSF was not seen a representative by many Postmasters. The GFA was in place for another nine years and there was a risk of legal claim for damages if we sought to end the agreement early and in addition, we would have to demonstrate how any gaps left by the GFA ending had been met. The executive's preferred approach was to update the GFA and work with NFSP on any engagement model. This would help to address the criticisms of the Judgment but as we would still be funding the NFSP it would not create an independent NFSP.

A number of points were raised and addressed:

- Carla Stent asked whether there could be the equivalent of a vote of no confidence in the NFSP if Postmasters felt they were not serving their needs. It would be important to take a data led approach. Dan Zinner reported that we had asked Postmasters for their views about the NFSP in the recent consultation
- Elliot Jacobs asked whether there were any performance criteria that the NFSP had to meet to obtain their funding from POL. AJ explained that the GFA was written in a generic way
- Tim Parker thought it would be helpful to understand what would fill the vacuum if the NFSP did not exist. DZ noted that there were risks associated with this as the CWU wanted to represent Postmasters and AC noted that the CWU had a limited understanding of the needs of independent Postmasters. If the NFSP received its

POST OFFICE LIMITED BOARD MEETING (Strategy Session 1)
Strictly Confidential

funding from a membership fee it would have to pay attention to Postmasters' views. TP thought it would be sensible to wait until we were clearer on Starling before seeking any fundamental change in the relationship with the NFSP. TC noted that we needed to have shown progress in addressing the findings of the Judgment to the Statutory Inquiry. DZ noted that we were not failing to address any legal finding but could be open to criticism because of Fraser J.'s comments on the NFSP's lack of independence. DZ confirmed that the executive had gone through these points with the NFSP who had responded with how they thought the GFA could be changed

- TP asked whether we had we helped show the NSFP how they could be more democratic
- EJ noted that while the GFA had a number of years to run the NFSP could provide a different role for this money, continuing to provide Postmasters with legal guidance and support but also deliver ancillary services
- Ben Tidswell noted that the criticism centred on the absence of independence and not having an effective advocate. TP asked who we would ask to test that the revised GFA addressed the comments from the Judgment. We also needed to think through the role the NFSP should be playing and how we could help them make this change. We could also talk to the Postmasters who did not feel they were being represented currently
- Saf Ismail noted that the NFSP budgets were not shared with PMs; they had provided services in the past but they did not always meet the required standard. Postmasters would particularly welcome a holiday cover arrangement and perhaps the NFSP could provide this. CS noted that these ideas helped with engagement but not advocacy and we would have to address the requirement for effective representation. BT noted that to overturn a contract you would have to set out what good looked like and give the NFSP a proper chance to deliver this. TP wondered whether we should bring together the NFSP, POL and some PMs in the room to discuss the NFSP's role
- Ken McCall asked what our short-term objective was and what could we do to achieve this because the overall situation could not be resolved quickly. There was also a danger of the issue taking up a lot of management time and attention. We should address the points raised in the CIJ but did not need to tackle the overarching situation right now which did not sit within on our top ten priorities. CS thought that the engagement strategy we were going to put in place would create a tension in the relationship with the NFSP.

TP summarised the position. We needed to work hard to try and make the NFSP a democratic organisation. This was not a short-term issue but POL and the NFSP had to set out the work that we would being doing to make this change. We could not do much to change there being an GFA in place for the next nine years but we should invite a good range of Postmasters to meet with POL to give their feedback on the NFSP and the role it might play. We needed to work towards changing our relationship with the NFSP and the role it played to support Postmasters.

4. Any Other Business

There being no other business the Chairman declared the meeting closed at 17:30 hrs.

Tim Parker

Chairman 14/10/2021 10:06

POL00448646

Voting Results for Strategy Minutes from 27.07.2021 (approved on 28.09.2021)

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	14/10/2021 10:06