



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

MINUTES OF A STRATEGY SESSION OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON WEDNESDAY 12 JULY 2023 AT 100 WOOD STREET, LONDON, EC2V 7ER AT 09:00 AM

Present:	Henry Staunton	Chairman (Chairman)
	Lorna Gratton	Non-Executive Director (LG)
	Saf Ismail	Non-Executive Director (SI)
	Elliot Jacobs	Non-Executive Director (EJ)
	Ben Tidswell	Senior Independent Director (BT)
	Brian Gaunt	Non-Executive Director (BG)
	Simon Jeffreys	Non-Executive Director (SJ)
	Amanda Burton	Non-Executive Director (AB)
	Andrew Darfoor	Non-Executive Director (AD)
	Nick Read	Group Chief Executive Officer (NR)
In attendance:	Rachel Scarrabelotti	Company Secretary (RS)
	Martin Roberts	Group Chief Retail Officer (MR)
	Martin Edwards	Network Strategy & Delivery Director (ME)
	Owen Woodley	Group Chief Commercial Officer (OW)
	Chrysanthy Pispinis	Commercial Strategy & Planning Director (CP)
	Tim McInnes	Strategy and Transformation Director (TM)
	Kevin Hollinrake MP	Minister for Enterprise, Markets and Small Business (Minister)
	Richard Taylor	Group Corporate Affairs Director (RT)
	Carl Creswell	Director, DBT (CC)
Apologies:	Alisdair Cameron	Group Chief Finance Officer (AC)

Action

1 Welcome and Conflicts of Interest

A quorum being present, the Chairman opened the meeting. The Chairman called for the Directors to disclose any conflicts of interest. 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 Session 2: Scene-setter to 2028

CP spoke to 4 key trends being automation/ digitisation, exclusion, localism and environmental sustainability and the potential implications of these trends for the Company. Discussion followed in relation to the divide between main-stream and excluded customers becoming more pronounced, the need to invest in automation and digitisation to continue to serve mainstream customers, the lack of financial reward for Postmasters in relation to the social services they provided for digitally excluded customers and the current difficulty of catering for both mainstream and excluded customers which was not sustainable from a commercial perspective.

3 Ministerial Visit (including pre-/post-discussion)

Pre-discussion

TM outlined the number of branches in the Minister's constituency, the Minister's background and suggested that Postmaster remuneration, commercial sustainability and



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

DBT policy could be areas for Board members to engage the Minister on. SI advised that he would raise a query with the Minister in relation to deposit limits. **ACTION** OW advised that the Commercial team were exploring with Natwest whether digital identity could be used to assist an increase in deposit limits. SI queried whether this approach could be applied to Western Union and Moneygram. OW advised that the team could look into this.

OW

TM spoke to the shifting focus of HMG policy. The use of the Post Office to supply government services had declined significantly over the last 8-10 years, with the result that we had a network that had been established to deliver the previous policy rather than the current one. 90% of revenue came from circa 6500 branches and 50% of revenue came from 2000 branches. The Shareholder policy review due to be undertaken was staring to surface some of these issues. If the Shareholder did not initiate a policy review then we could consider undertaking this.

CP, ME and OW left the meeting at 10:37.

Ministerial Visit

The Minister joined the meeting at 10:50, with RT and CC.

The Chairman welcomed the Minister and outlined the focus for the Board Strategy days. Key discussion points were as follows:

- The Minister referenced the Company's recent funding request and advised that public finances would likely remain under pressure for a number of years. The challenge back to the Company was how the funding request could be reduced, for example in relation to NBIT as well as central costs;
- The Minister noted the Company's diversified revenue streams, the importance of access to cash, and the need to be realistic about the size of the network for the future;
- EJ spoke to Postmaster remuneration, sharing his view that the current level of churn was a lagging indicator of the status of the network. The Minister noted that the RMG pay dispute had been resolved so was hopeful that this could assist with branch performance. In the meantime the government was working within a tight funding envelope however was keen to work with the Post Office to find solutions to improving Postmaster remuneration and the Minister was agreeable to having conversations across government in relation to this. EJ advised that proper remuneration for government services would assist;
- SI advised that the Board was in agreement in relation to central cost savings and noted the plans to franchise a limited number of DMBs as soon as possible in order to deliver savings. With the cost challenge for NBIT, the system needed however to be fit for purpose and fit for the future. SI raised the issue of deposit limits; Postmaster were waiting for a response. The Minister replied, noting the central cost savings that would be delivered via franchising DMBs and that with NBIT the appetite remained to deliver this however it was about delivering what we could and when we could. On deposit levels, the Minister was aware that this was still an issue and was committed to finding a resolution. CC noted that the issue with deposit levels could be improved by individuals in appropriate circumstances opening business accounts as opposed to depositing into their personal accounts. The Minister queried whether the Company could raise deposit levels directly with Santander. NR advised that he had met with Santander to discuss this issue. **ACTION** The Minister asked that details of cases be shared with the Minister;

OW



POST OFFICE LIMITED BOARD MEETING
Strictly Confidential

- BT noted the trend of digitalisation and the switch to sales online and the impact on Postmaster remuneration, as against the social purpose the government wished the Post Office to continue to maintain. In terms of policy, BT queried how these issues could be put forward for the Minister to consider. The Minister replied that the Post Office continuing to provide a social purpose very important and if there was not a social purpose to the Post Office then HMT may not wish to support it. Treasury needed to see that this was a really important network in terms of social inclusion and this should be something that was emphasized to HMT in our funding requests;
- SJ advised that he was Chair of the Company's ARC. In order to finalise the Annual Report and Accounts FY22/23 and have these filed on time we needed additional funding to have been secured. SJ shared his view that it was important to have the Annual Report and Accounts finalised on time to provide confidence, and we did not want an adverse external audit report to be issued in relation to the Company. The Minister took the point;
- TM queried where the Minister saw the social value of the Post Office; was this about providing the last shop in the village, or supporting the last shop in the village, or in relation to providing banking services for example. The Minister replied that any policy review would need to be driven by consumer behaviour and that the network would need to both available and sustainable.

The Chairman thanked the Minister for attending. The Minister, RT and CC left the meeting at 11:21.

Post Discussion

The Board noted the more liberal view of the Minister in relation to the size of the network and the steer provided by the Minister on linking the fulfilment of the Company's social purpose with funding requests.

4 Session 3: How Could Our Business Evolve by 2028?

OW, MR, CP and ME re-joined the meeting at 11:26.

Key discussion points were as follows:

- Bench-marking of the central costs of the Company had been undertaken previously however this was not an easy exercise given the inherent differences between the Company and other retail franchises. Costs in relation to changing processes was discussed, as well as the appetite of the Shareholder to invest in this area given the lead period before payback. NR noted the significant simplification of operations and IRRELEVANT
IRRELEVANT
IRRELEVANT MR noted the certain DMB closures were to be announced on 24 July and NR confirmed that the Minister had been advised;
- SI shared his view that the DMBs were over-staffed. ME advised that there was an ongoing programme to reduce staffing in DMBs however this was constrained by trade union agreements with specified hours, although there would be engagements with the unions on this. **ACTION** IRRELEVANT
IRRELEVANT MR advised that he would look **MR** into this;