

STRICTLY CONFIDENTIAL AND SUBJECT TO LEGAL PRIVILEGE

NFSP conference – key note speech: Monday 15 April, 11am – 11.45

Al Cameron – Interim Group Chief Executive

Paula is moving on, so I am here as Interim Chief Executive. It is a privilege to be here: the Postmasters you represent are the face and the heart and the blood of the Post Offices that people treasure and we are here to support, protect and serve them, ensuring we are there for customers everywhere.

Being there for customers is defined by the Government of the day, which sets our policy: maintain a network of at least 11,500 locations; ensure it is a national network within a mile of 90% of the population; sell the SGEIs (Mails, cash, bill payments) across the bulk of that network; and reduce subsidy by becoming more commercially successful and resilient.

I want to share how we are doing and talk about the future, what will be the same, what will be different and how we should work together. I will hand over to Debbie Smith our CEO Retail who will set out our direction in more detail and then I hope we will have time for lots of questions and challenges. Debate is good.

Commercial progress to date

The business we inherited in 2012 was failing and completely dependent on huge amounts of Government support - £400m in our first year of independence alone. We were losing £115m a year from our trading, the IT estate was large, expensive to run, old, vulnerable– and still inside Royal Mail. Our owned shops were deeply loss making and many of our agency outlets couldn't commercially support the people who ran them and worked in them. Many had opening hours that were 9-5 Monday to Friday which was wrong for customers. Our culture within Post Office Limited was too often that of a victim: everything was worse than it used to be, it was all someone else's fault and nothing could be done.

This isn't just my view: until recently our accounts showed that we if bought an asset – a computer or a property – we couldn't do what companies normally do which is to put that computer on our balance sheet and if we use it for five years, we write the cost off over that five years. Instead we had to write it off the day we bought it. Because our financial future was considered so insecure, no one could reasonably assume we would still exist in a few years' time.

With enormous support from all our Postmasters and their people and huge, financial support from Government, successive teams have made a lot of progress:

- We made a profit of £36m in 2017-18 and that increased in 2018-19: the numbers are being finalised and audited.
- We have replaced probably 80% of all of our IT: hardware in branches, upgraded branch software, new networks; back office systems to ensure everyone is paid.

- We have together maintained a national network, 11,600 branches today, selling the SGEIs. People can take that for granted but no one else does this and a lot of retailers have gone bust in the last 5 years.
- We have reduced the number of owned branches from 373 to 188, converted nearly 8,000 postmaster branches and increased opening hours by more than 200,000 a week, the equivalent of over 4,300 new branches.

To be clear, while that is good progress, no one thinks we are done. We are maybe two-thirds of the way to becoming the business we all need to us to be and no one is complacent about the future. We have a great deal still to do as well as facing new challenges and opportunities every year.

I don't make any apology for the drive to profit. It is all re-invested and indeed we have invested far more than we have earned over this period.

At the same time, it would be idle to pretend that there are no consequences of such a relentless focus. We have borne down on all our costs

- Our employed staff have reduced from 8,000 when I joined 4 years ago to just over 4,000 now. This included a huge reduction in our cash supply chain and taking 20% out of all of our support and management teams. For the people who retained their jobs, we shut the defined benefit pension.
- For our third party suppliers and clients we are relentlessly pursuing better deals, saving c. £30m a year on IT alone.
- And for Postmasters, we have removed most fixed pay as we transformed branches, leaving variable pay at a similar number overall – it hasn't increased and your costs have. We also insisted that process simplification had to have shared benefits and reduced pay. I was instrumental in stopping Phase 2 and we have no plans to do that again.

So what happens next?

I come here in a mood of anxious optimism.

On draft numbers, our trading income grew by c.2% in the year just finished and we think we will do the same this year. After years of flat to down, we are starting to see growth.

We have been negotiating very hard with the banks over fees for the next phase of banking framework. And while we will not know the final answer for a couple of months, we are sufficiently confident of the outcome that Debbie and Martin will announce some good news shortly

Once we became aware in late 2018 that Paula was leaving, the Executive team wrote a strategic narrative for POL to ensure we were aligned amongst ourselves and with the Board. It talks about what stays the same (national presence, need for

stability and sustainability), what change we must accelerate and what things we will do differently.

The first area of acceleration is around our relationship with Postmasters. It said, and I am quoting word for word and for the record this was written before the Judge's recent comments on PO in the first of the trials on the Group Litigation:

We have to make it easier for Postmasters to make more money for less effort and in a better spirit of partnership. More flexible models, more trust in their retail judgment, more practical help and advice, encouraging them to share best practice, support services that are obsessed with helping Post Offices serve customers, more automation, better data to identify and solve issues, less paperwork. Enabling digital to be a valued partner service not a competitor. And communicating in language and through channels that everyone understands.

I wrote it, I meant it and I stand by every word. Our commitment to you is to work with you, the NFSP and directly with all of our Postmasters and their teams to turn these good words into real change.

On the litigation, in his judgement from the first of 4 trials, the Judge has made a number of strong criticisms about the way Post Office has operated in the past. Those comments are a forceful reminder to us that we must always continue to do better. While the culture and practices of the business have improved in many ways over the years, we take the Judge's criticisms very seriously and will take action throughout our organisation.

There are, however, areas around the interpretation of our contracts where the Judge's conclusions differ from what we expected from a legal standpoint and we are therefore seriously considering an appeal on certain legal interpretations.

Fundamentally, we don't think that the judgement changes the direction of travel to a better partnership that I set out above. Our first priority will be to consider the points raised in the trial about the management of our contractual relationships and how we could improve them. We will make sure that the problems you bring to our attention are investigated even more quickly and transparently. We will further improve communications with you, as well as the training and support you receive.

Not a fundamental change of strategy but significant, further change from today, and further prioritised and accelerated as you will hear more from Debbie in a moment.

So how do we want to work with you?

We want to improve how we work with you. We'll learn from the past, and work with you to focus on the future.

As Postmasters, help us get this right, join in and share what you are thinking, especially when it is focused on the commercial reality we share. Grumbling that it was better years ago helps no one. As we refine and improve the partnership we

may need everyone to be more disciplined to make fixing issues much easier and quicker. We need to work with each other to get the basics right. The stuff that we have to do every day, cash declaration, balancing, opening when customers expect us to.

As the NFSP I have two fundamental asks

1. Become more truly representative of more Postmasters. The CWU for one continues to believe that it can represent Postmasters better, so if you think you are more representative than them you need to grow your active membership.
2. Be open and challenging. We have released you from the clause that stops you publicly criticising us. I understand that at times we have sought to be too controlling. Those days are over. We welcome your challenge, in public and private. Balanced, well intentioned and commercial challenge is always influential. But the style and indeed the content is up to you – what I passionately believe is that debate, challenge and criticism is necessary to make us better and that for PO, better never stops.

Debbie...