



POST OFFICE LIMITED BOARD REPORT

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CEO Narrative

There can be little debate that the period since my last Board Report has been one of the most challenging for Post Office in its recent history. The combination of the TIS sub-metric issue, combined with the racial codification scandal as well as legal challenges to the HSS Scheme, has put the organisation on the back foot reputationally, as well as politically. It is also unlikely that this will cease in the near term. The Select Committee hearing at the end of the month along with the publication of Amanda Burton's Report will ensure we remain in the media spotlight. It is as yet unclear what approach the Government propose to take with their Remuneration Governance review, but it is unlikely to be positive. The implications of all this should not be underestimated. A fragile and brittle business is creaking. Morale is being severely tested. A culture of fear is developing. It is this final point that we should be especially concerned about. Colleagues are fearful of putting their heads above the parapet, of taking risks and soon, of admitting mistakes. Risk aversion and paralysis is setting in, which will not help our commitment to transparency. Our one safe port is our comprehensive support and response to the Inquiry and Compensation. If we lose this and we endure the continued bleeding of the past into the current POL, then we will have an even deeper problem with the brand, our people and our existing business.

It is against this backdrop that we delivered our three most important conferences of the year, Colleague, Postmaster and NFSP. The Colleague Conference was largely positive. The financial performance in 2022/23 had been encouraging. Revenue and income were up on last year at £915m (+9%), although our Mails and PUDO business was down as a result of industrial action and Royal Mail's cyber incident. On the other hand, our Banking business performed well, benefiting from an increase in withdrawals. The two core pillars of our commercial business are now delivering comparable amounts in revenue (at 34% and 29% respectively), which itself prompts reflection as our business evolves.

However, as we were forcefully reminded at the PM and NFSP conferences, the current state of PM Rem is becoming unsustainable. Postmaster remuneration increased by only 2% on last year. Further feedback from our Summer 'Perfect Day' campaign has shown this is not sufficient in the face of rising bills and staff cost increases across the network for Postmasters, who we know are feeling the bite of the cost of living crisis keenly. This was clearly amplified through the PM survey results which were disappointing and almost exclusively because of the lack of remuneration.

This June Board was positioned as an opportunity to explore our wider funding challenges. This we will do, but we should not forget the solid performance in 2022/23. Our underlying trading performance of £49m was robust, given the turbulent trading conditions. This reflects the good progress we have made over the last decade towards sustainability, given we made a loss of £119m in 2012 nearly a decade ago, yet it also masks wider challenges that loom over the next two years, which I expect will form the centre of our discussions at Board and our engagement with the Shareholder over the coming months.

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