

# CEO Transformation Update | January 2026

## Introduction

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- Welcome and thank you for joining us at our first Townhall of 2026.
- We've important updates to share with you today on how our business is transforming, but before we get into that I want to recognise three remarkable people honoured by the King this New Year.
  - **Jenny Fell**, postmistress in Hellidon for 51 years, has received the British Empire Medal for a lifetime of service at the heart of her village.
  - **Pritesh Pattni**, postmaster in Aston, has also been awarded the BEM for his tireless volunteering and for transforming opportunities for young and disadvantaged people in his community.
  - Finally, **Betty Brown**, the oldest known victim of the Horizon scandal, has been recognised with an OBE for her extraordinary courage.
- Their dedication reflects the very best of our network – and I want to congratulate them all.
- And, with the New Year upon us, We are also three quarters of the way through the first year of our Transformation Plan.
- With that in mind, I wanted to take the time to reflect on what we've achieved together to date and look ahead to some key proposals and things we'll be working on next year.
- As I have said before, this first year of the plan is foundational and we've made good progress against our goals.
- Some of this I hope you have felt, whilst other work has been behind the scenes, but the benefits of which we will start to see next fiscal year.
- Some highlights of what we've achieved working together:
  - We secured crucial funding from Government to deliver our Plan and helped shape the first policy review in 15 years with the Green Paper, with the Government response expected soon.

- We have increased the pace of remediation to victims of the Horizon Scandal, with an eight-fold increase in resolved HSS cases last year, compared to the year before.
- And, on that topic, can I remind everyone that the deadline for applications to the Horizon Shortfall Scheme is the end of this month – and encourage anyone who thinks they may be eligible to reach out.
- We delivered over 75 thousand pieces of new equipment into the network, while also beginning the process to replace both Fujitsu and Horizon.
- Elsewhere, our new Banking Framework will extend vital cash services into the 2030s, while our Mails business is in growth for the first time in years.
- And engagement among postmasters is also improving, with a new Inclusion Framework stood up to increase postmaster and partner voices across the business.
- The upcoming annual postmaster and partner surveys will be another key moment to measure our progress – so please do take part so we hear from as many of you as possible.
- These individual parts of our Plan and that hard work of postmasters across the UK are all steps towards our vision to deliver a thriving network of post offices making everyday life easier for communities across the UK.

## The Burning Platform

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- However, as I have said before, the future is not guaranteed.
- As you know better than anyone, **branch profitability remains challenging**.
- That is why we will deliver £86m in additional remuneration, a 21% increase on last year and the highest year-on-year increase for over 30 years.
- This is against a counterfactual where remuneration would have been down in real-terms had we not taken the steps we have together.

- Importantly, this also means branches will also take the highest ever portion of total revenue, moving from 46% last year to 57% this year – a crucial milestone.
- However, **we are operating in a fast-moving, fiercely competitive markets.**
- Take Royal Mail's entry into the retail space with Royal Mail Shops at the end of last year or the fact that as a network, we have some 3,000 fewer outlets than our competitors in urban areas, despite these areas accounting for 2/3s of parcels demand.
- Meanwhile, in Banking, Paypoint is now working with Lloyds Banking Group and Monzo to offer cash services.
- We have much to do to keep pace with our competition, including driving sales in your branches.
- **We are also not delivering a consistent branch experience.** There are four generations of signage across the network – some of which is decades old.
- Meanwhile, less than 1% of the network offers self-service and, where it is available, it is not modern or intuitive.
- And while many branches deliver a brilliant experience, we all know there are some that undermine the strength of Post Office's collective brand.
- Finally, **we are supporting unsustainable costs** across the network.
- We have moved quickly to reduce those costs – for example, by franchising the DMBs and reducing central headcount, with over 1,200 colleagues already having left the business.
- This is of course a very difficult process but a necessary one if we want to get to where we need to be: a network of thriving post offices in every community.
- So while we are making good progress against our plan, there is still much more to do.
- We must focus relentlessly on growing our top line revenue whilst continuing to reduce our costs: that is the only way we can continue to grow your remuneration and build a sustainable Post Office.

- With all this in mind, today I want to explain three proposed changes for the year ahead: on remuneration, on the support we provide and on network change.
- Importantly, these are strategic intents, which we're deliberately sharing with you before we have ironed out all the detail so you may have questions to which we don't have all the answers.

## Remuneration

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- Let's start with remuneration.
- We have been engaging extensively over the last year, including over 20 hours of in-depth discussions with the Consultative Council, as well as 10 regional meetings with over 600 postmasters and several workshops with partners.
- The feedback has been clear: our model is too complicated and too inconsistent, with huge variety between product types and how these work across branch formats.
- We are therefore announcing the first step in changes to remuneration, designed to support the overall health of the network and respond to your feedback – but I want to emphasise this is a five-year journey to 2030 that will require stages, not a single leap.
- The proposals are intended to simplify the overall system and strengthen commercial alignment between Post Office and postmasters and partners.
- First, in response to clear feedback, **we will fully align the variable rates for Mains and Locals** branches from April, bringing Locals up to be in line with Mains rates.
- As part of this, we will also align the contractual requirements so Mains branches have the same flexibility around how they staff their branch as Locals.
- Second, **remuneration for banking and travel products will be lifted to at least 55%** of income, while all other products will be lifted to at least 50% from April.
- And third, the **Operational Excellence Incentive will be increased to 5.5%**, with the introduction of an additional metric to incentivise stamp stock management.

- Importantly, these three changes do not represent the full picture. As I said in December, we wanted to provide an update to enable you to plan with some certainty for next year, two and a half months earlier than normal.
- In March, we will come back with a further update on the remuneration outlook for next year, including trading guidance for the full year and any further rates changes.
- In particular, there are likely to be changes in our Mails portfolio, with negotiations underway with our carrier partners and Royal Mail price changes expected in April.
- In the meantime, we will also be providing all branches with “ready reckoners” to help you understand the specific impact of the rate changes for your branch.
- Moving forward, this simpler rem model means success will be founded on two core principles: selling more and increasing your share of each pound earned.
- For branches, that means staying laser-focused on driving sales in-branch, supported by the right tools and technology.
- While for Post Office, it means managing our costs, driving great deals with partners and growing digital revenue streams so we can continue to share an even greater proportion of each £1 earned.
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## Service and Support

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- This bring us neatly onto the second proposal I wanted to outline today: a move to a more self-serve model of support fit for the modern retailer we want to be.
- Over the years, we’ve built up a complicated system of support: there is too much confusion about who or where to go to for help, and not enough focus on what really matters for your businesses.
- That’s why we’re moving away from the old “management” model and towards a true partnership – one where you have more control, better tools, and clearer support so that you can focus on what you do best: making everyday life easier for your customers.

- Recently, we started a consultation about retiring the Area Manager role and introducing new Account Teams. This is a big change, and we know it won't be easy for everyone, particularly those with close relationships with their Area Managers.
- The new approach is about making support more purposeful and less reactive. Account management leads will be your main point of contact. Their job is to help you succeed at the operator level, not just deal with day-to-day issues.
- We won't be visiting branches just for the sake of it. Instead, visits will be planned and focused, like during annual reviews or when there's a real need.
- The intent will be to help you drive your sales, given this is the single biggest determinant of your remuneration.
- We're also making digital self-service the default where appropriate. That means you'll be able to raise queries, track issues, and get updates online or through a support line.
- No more waiting for someone to visit or call back. You'll have more control and visibility over what's happening with your branch.
- We will focus the resource in Post Office on the things that matter and that need human interaction and intervention.
- This shift is about treating you as independent business owners. You'll have access to the information and tools you need to make decisions and solve problems on your own terms.
- And, as part of the reset on how we work together, we'll also start to be clearer about what good looks like across the network.
- If we are honest, we know standards vary from branch to branch, which can undermine our collective brand.
- We want to build a common baseline for what "good" looks like, helping branches understand what is expected of them, and we will work closely with you to define and implement this.

## Network Change

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- The final major update I want to share today relates to our network – a critical part of securing a modern, competitive and sustainable Post Office for the decade ahead.

- To win new customers and keep existing ones coming back, our branches must project the standards of a modern retail network.
- From 2026 onwards, **we will begin rolling out new technology** including upgraded self-service kiosks, modernised parcel drop-off solutions, digital marketing screens and new app-based technology.
- These tools will help reduce queues, speed up service, improve accuracy and give customers the simplicity they expect, while reducing operational costs and the burden on branches.
- As part of this, I'm pleased to share this will include significant investment to refresh the network with the launch of a four-year £120m branch modernisation programme this year.
- I want to stress we don't have all the detail on this at this stage. We will need to agree some principles that will allow us to use these funds consistently and fairly across the network.
- Over the coming months, we will work with representative groups on where and how we will spend this money, ensuring all branches can take part either funded or on a co-investment basis.
- In parallel, **we will work towards a network shaped by customer demand**. Our strategy must start with customers – where they live, how they shop, and what they need.
- That means meeting rising demand for parcels and cash services in urban areas by providing new access points where footfall and competition are greatest.
- To achieve this, we need to remove constraints on proximity to existing branches in high-demand locations, otherwise we are just leaving the door open for the competition to take our market share, leaving the whole network collectively worse off.
- This doesn't mean we'll have post offices directly next to one another: but it does mean we need to take a more holistic view of the network in order to capture customer demand and increase revenue across the whole network.
- **We will continue to evolve our rural network** by moving to sustainable, retail-hosted, full hours models as much as possible.
- Rural communities remain a core part of our social purpose, and we are committed to protecting access to essential services.

- But we must also be honest that the economics of the rural network have become increasingly challenging, particularly for standalone branches.
- Colocation with retail partners – whether independent village shops or corporate partners – helps share costs, and provides customers with the hours and convenience they expect.
- Of course, in locations where there is no suitable host retailers, outreach provision will remain a core part of our offering to ensure access for rural communities.
- And let me be explicit: this is not a closure programme – rather, this is about moving towards a more cost-effective, high-performing network as the network evolves with churn and with time.
- Finally, **we want to back great operators to grow and scale**: one of our strongest assets as a business is the quality, commitment and entrepreneurial spirit of our postmasters
- Today, the path to becoming a multisite operator is often unclear or inconsistent. We want to change that by introducing a more structured framework that makes it easier for strong operators to take on additional branches.
- We know some postmasters aspire to operate at scale, while others prefer to focus on a single branch.
- Both are equally important to our future: this is not about favouring one type of operator, it's about recognising excellence and giving those who want to grow the support to do so.

## Conclusion

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- In closing all these changes build on the progress we've made together this year. They are designed to support our 2030 vision, building a Post Office that is stronger, simpler and more resilient.
- Everything we are doing – from resetting remuneration, improving the support we offer and reshaping the network – is ultimately about securing your branches for the future.
- We simply cannot afford to stand still while the world and our competition changes at pace around us.



- These updates represent a step toward a Post Office with more opportunity, more consistency, more customer relevance and, ultimately, more value shared with operators.
- Delivering this vision will take hard work and difficult decisions – but we will do this through our sustained partnership with you so that we arrive at that future together.
- And the destination is worth it: a network of thriving post offices in every community, serving to make everyday life easier for all walks of life.