



Department for
Business & Trade

Kevin Hollinrake MP
Parliamentary Under Secretary of State

Department for Business and Trade
Old Admiralty Building
Admiralty Place
Whitehall
London
SW1A 2DY

Henry Staunton
Chair, Post Office Limited
H B Markets Plc
20 Finsbury St
London
EC2Y 9AQ

21 April 2023

Dear Henry,

POST OFFICE: CEO REMUNERATION

Thank you for your letter of 14 November 2022 to Secretary of State Grant Shapps, and your subsequent meeting with him in January to discuss your early priorities in your role as Chair.

The Government continues to be grateful for Nick Read's work in leading POL since his appointment as Chief Executive Officer in September 2019, and I recognise the significant commitment and effort that he is putting in to tackle the multiple challenges that the company is facing.

There has been a fair amount of discussion and correspondence in recent months on the question of Nick's remuneration, including a decision by Secretary of State Shapps in January to retrospectively approve the bonus that was paid to Nick for FY21/22 and to approve an increase to his base pay in line with the rest of POL employees from 1 April 2023 (up to a maximum of 5%).

I understand that officials were clear with POL that the approval being sought was for a pay increase to take effect from 1 April 2023 but the Remuneration Committee feels strongly that the pay increase should be backdated to 1 April 2022.

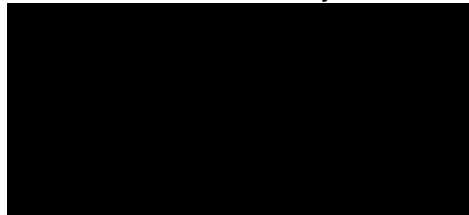
As you will be aware, this is an extremely challenging climate for significant pay increases in the public sector, especially in the context of the Budget, cost-of-living pressures and widespread disquiet around postmaster remuneration.

Notwithstanding the above, I note that Nick has had no annual uplifts in pay since starting in 2019. In recognition of Nick's continued public service, I am content to approve your subsequent request that the 5% pay rise be backdated to 1 April 2022 in line with the backdating agreed with unions to apply to the wider POL workforce. However, I am clear that this replaces (and is not in addition to) the 1 April 2023 pay rise which Secretary of State Shapps had approved, and no further pay rise for FY23/24 will be considered. Going forward, appropriate steps need to be taken to ensure there is no further miscommunication between POL and Government, as your shareholder, regarding pay requests and approvals.

I hope my personal support of these measures in the context of this difficult pay environment will reassure you of the high regard in which we hold Nick and his stewardship of this nationally important institution. I understand from discussion with the Permanent Secretary that you are also pursuing various changes that are intended to reduce the pressure on Nick, such as recruiting a new Chief Operating Officer, and we are keen to support you on these as much as we can.

I am copying Lisa Harrington, Chair of Post Office Limited Remuneration Committee to this letter.

Yours sincerely,



KEVIN HOLLINRAKE MP

Parliamentary Under Secretary of State – Department for Business and Trade



Kevin Hollinrake MP
Parliamentary Under Secretary of State for Enterprise, Markets and Small
Business
1 Victoria Street
London
SW1H 0ET

Date
23 January 2023

Post Office
Finsbury Dials
20 Finsbury Street
London
EC2Y 9AQ

Dear Kevin

Request for Shareholder approval – appointment of Non-Executive Director

I am writing to request Shareholder consent for the appointment of a Non-Executive Director (NED) to the Post Office Limited Board, as required under Article 8.1(A)(i) of Post Office Limited's Articles of Association.

The formation and composition of the Evaluation Panel, which Lisa Harrington chaired up until I joined the Board on 1 December 2022, was approved by the Shareholder, and included Tom Cooper, our Shareholder Representative on the Board, Zarin Patel, our Senior Independent Director, Saf Ismail, one of our Postmaster NEDs, and Kathryn Cearns, a holder of various Non-Executive Director positions at external organisations, acting as independent assessor.

The Panel interviewed 5 short listed candidates (2 women and 3 men) from a longlist of 5. The panel also met 2 shortlisted candidates from Black, Asian and Minority Ethnic backgrounds, and fully complied with the Post Offices' interview requirements in relation to the disability confident employer scheme. We recommend the appointment of Simon Jeffreys. In line with the approval provided by the Shareholder, Simon's initial appointment would be for a period of 4 years. Subject to the conclusion of satisfactory due diligence, we would like Simon's appointment to commence as soon as possible, in order to enable a hand over with Carla Stent who is due to step down from the Board on 17 February 2023.

I have enclosed the candidate profile produced by Green Park, along with 2 references and Simon's CV. The Panel's recommendation is for the reasons set out below. The Panel considered candidates' match as against the criteria set for the role, and in particular their ability to effectively Chair the Company's Audit, Risk and Compliance Committee, their ability to contribute to business decisions, their overall fit with the Board, and their ability to commit the time required for the role. Simon scored highest and was the unanimous choice of the Panel.

Simon Jeffreys

Simon is a highly experienced NED and Chair of Audit and Risk Committees with a range of business expertise gained within renowned international organisations across the auditing and financial services sectors.

Simon has held NED positions in Templeton Emerging Markets Investment Trust Plc, SimCorp A/S, a listed Danish financial services software company, and the Crown Prosecution Service. Simon was a senior audit partner with PwC from 1986 to 2006 where he also led their Global Investment Management practice. Between 2006 and 2014, Simon was CFO and Chief Administrative Officer at Fidelity International and then CFO and Chief Operating Officer at the Wellcome Trust. Other external appointments include, Chair of AON UK Limited and Henderson International Income Trust Plc. Simon is a seasoned NED and Chair and has experience of government stakeholders and has an ideal combination of public and private sector experience.

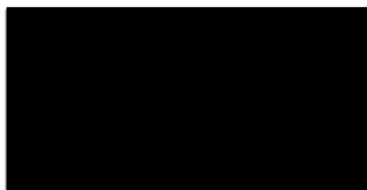
The skills and experience that Simon has the capability to bring, drawn from his executive and non-executive positions, provided us with confidence that Simon would be an effective addition to the Board, as well as an effective Chair of the Company's Audit, Risk and Compliance Committee.

Simon has confirmed that he has the capacity to take on this vital role at Post Office Limited as well.

We continue to strive for diverse representation on the Post Office Limited Board and see this as a fundamental requirement for the composition going forward. I anticipate the current recruitment process for the 2 additional NEDs to be recruited to replace Zarin Patel and Lisa Harrington will provide us with an opportunity to fulfil this requirement.

Thank you for your assistance and I look forward to hearing from you.

Best wishes,



Henry Staunton
Chairman
Post Office Limited

**Enclosures**

Due Diligence Report
Reference Checks
Candidate's CV



CONFIDENTIAL

Date
29 August 2023

Post Office
100 Wood Street,
London, EC2V 7ER

Classification:
Confidential

Dear Minister Hollinrake,

Thank you for your letter of 16 August, which you sent following the publication of the report you commissioned from Simmons & Simmons, following Amanda Burton's own investigation and report some weeks ago.

As you will have seen from my public statement, I welcome the report and the Post Office will implement each of its recommendations. I note that, while significant failings in governance were identified by Simmons & Simmons, the report makes clear that there was a justifiable basis for making the award and no basis for any suggestion of impropriety in doing so. Chief Executive Nick Read has, nevertheless, made a personal decision to return voluntarily the full bonus attributed to the overall Inquiry metric.

I am clear however, as is Amanda Burton, our new Remuneration Committee (Remco) Chair, that this is not a 'good' report for Post Office. The failings which both Amanda and Simmons & Simmons have identified are material and must be put right as a matter of urgency. As you would expect, the work has already begun to rectify the issues identified elsewhere and we will fold the recommendations in the report into the broader programme of work we are undertaking.

This work will be led and overseen by new personnel, with Amanda as our new Remco Chair, and Karen McEwan, a highly experienced and accomplished retail professional, who will join us in early October as our new permanent Chief People Officer. A new Reward Director commenced in January this year and the Company Secretary was appointed in April last year.

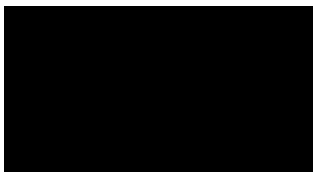
Beyond staffing issues, we have asked our remuneration consultants, Willis Towers Watson, to undertake a review of Remco's terms of reference so that we can be sure these are appropriate to our business. We are also speaking to UKGI colleagues about useful comparators in this regard. We will need your officials' support and input in better designing the frameworks and defining the metrics for future STIP and LTIP schemes (including how best to incentivise shareholder value) and Nick Read has requested a meeting with C Donald, CEO UKGI to discuss this. We must also work together to simplify processes where we can and reduce the timescales required to reach agreement – complexity and delay are not conducive to good governance as both reports make abundantly clear.

Finally, work is underway within POL to instruct an external consultant to conduct an overarching review of POL's governance arrangements. This work will provide us all with a further measure of reassurance that our arrangements are fit for purpose for the long term. We will provide an update as to progress and will be pleased to share the findings with you in due course.

More immediately, however, we are liaising with your officials about the further details you indicate you are keen to see in relation to those parts of the Transformation Incentive Scheme which were not concerned with the Inquiry. Relevant documents are being collated and we are, of course, ready to answer your questions.

I will write again next month once we are in a position to share a detailed plan for the implementation of the Simmons & Simmons' recommendations.

Yours sincerely

A large black rectangular box redacting the signature of Henry Staunton.

Henry Staunton
Chairman



26th May 2023

Kevin Hollinrake MP
Parliamentary Under Secretary of State
Department of Business and Trade
Old Admiralty Building, Admiralty Place
LONDON
SW1A 2DY

Dear Minister

Final draft report by Amanda Burton - Clarification to Post Office Annual Report and Accounts 2021-22

I asked Amanda Burton on Tuesday 9th May, as a new Non-Executive Director and the new successor to Chair the Remuneration Committee from today at Post Office Limited, to investigate the error with a sub-metric in the Annual Report and Accounts 2021-22. Please find attached her final draft report, as requested by you, within two working weeks.

Let me reiterate my apology to you on behalf of Post Office, as we have directly to Sir Wyn Williams, for the error made in declaring this inappropriate metric achieved as part of the Transformation Incentive Scheme. This mistake was made with the best of intentions to prioritise the much needed transformation of Post Office. As Chair of Post Office, I am determined that every part of the business not only supports all aspects of the Horizon IT Inquiry but also retains its focus to transform the business, its culture and its operations, to help Postmasters thrive as they serve their customers and their communities across the UK.

Amanda has conducted a thorough investigation of all the documents pertaining to the setting and evaluation of the sub-metric in the Transformation Incentive Scheme. Her report includes the following observations and conclusions:

- "It is difficult to understand why the Inquiry first sub-metric was not questioned by anyone, and yet seen by so many people."
- "In my opinion the assessment was made fairly, the problem was that the wording of the Inquiry sub-metric was inappropriate once the Inquiry moved onto a statutory footing."

The report has seven recommendations including:

- "Variable pay schemes, whether short term or long term, need to be simple, transparent and clear."
- "The timeline between the initial proposal, design and approval of variable pay schemes needs to be shortened as it does not make sense to have schemes being debated months (even a year) after the awards should have been made."
- "When assessing whether metrics have been achieved, there needs to be a clear audit trail of the data reviewed. When discretion is exercised, the circumstances need to be carefully minuted and explained in the Directors' Remuneration Report."

I support the conclusions and recommendations made by Amanda, including re-engaging with the shareholder at the macro level, as that will drive better decision making at the micro level.

As a consequence of the conclusions and recommendations, inter alia Post Office is taking the following actions:

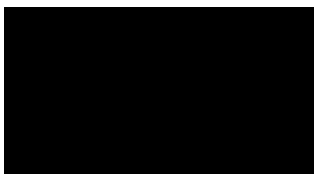
- Amanda will become Chair of the Remuneration Committee with immediate effect and Lisa Harrington will leave the Board on Thursday 1 June. Tom Cooper has already left the Board.
- There should be no variable pay awards linked to work directly supporting the Horizon IT Inquiry for 2022-23 or indeed for any subsequent years.
- Although Amanda's report does not recommend considering clawback, I can confirm that Executive Board members who benefitted from the specific Transformation Incentive sub-metric have voluntarily repaid it as have all the current members of the Group Executive. The Board, cognisant of the impact of the inappropriate wording of the sub-metric to public confidence in Post Office, has asked the Chief Executive to seek similar repayment of the sub-metric from other recipients of the Transformation Incentive.
- I offer you my full support in considering any further changes that may be needed in how the Remuneration Committee operates and how its recommendations are approved by the Board and the shareholder. This could be considered as part of the separate review you have commissioned about the governance of remuneration at Post Office.

Given the public interest in this error, I ask that you consider publication of the report at the earliest opportunity noting that people named in the report should be able to review the final draft before it is published and some redaction may be required. Publication at the earliest opportunity should allow your wider review of the governance of remuneration at Post Office to reflect any response to the report; as well as help the House of Commons Business Select Committee to hold its hearing on a more informed basis.

A key element of the transformation of Post Office is to ensure its long term financial stability. When we met on Monday 22nd May, we discussed the importance of reducing central costs as an essential means of improving our commercial and financial stability. I confirm that this is a priority for the Board and the executive team, not least to improve branch profitability for the benefit of Postmasters.

You have my assurance that as the incoming Chair, together with a new Chair of the Remuneration Committee, that we are focused on appropriate, transparent and clear reward, including variable pay where needed, consistent with corporate best practice to advance the transformation of Post Office.

Yours sincerely



Henry Staunton
Chairman, Post Office Limited

Henry Staunton
Chair
Post Office Limited
100 Wood Street
London
EC2V 7ER

16 August 2023

Dear Henry,

As you know, on 10 May, I announced in Parliament that I was commissioning an independent review into governance around senior executives' remuneration at Post Office Limited. This review, led by Simmons & Simmons, examined the processes and governance in place in relation to Post Office Limited's decisions regarding remuneration relating to the Inquiry Target. I am writing to update you that this review is now complete, and the Government has today published the report in full on GOV.UK; I have also attached a copy of the report.

The report makes a number of important findings and recommendations. I support these recommendations and expect Post Office to consider them carefully, in particular the recommendation for Post Office to review its governance structures, processes and systems.

Governance around Post Office decisions and senior executive remuneration matters remain a priority for me and I am committed to monitoring the next phase closely to ensure improvements are implemented by Post Office effectively. Within the next month, I would be grateful for a detailed plan of action for each of the 10 recommendations, setting out what actions Post Office intends to take and by when. This will allow me and my officials to monitor progress closely. While I expect Post Office to lead on implementing these actions, my officials and UKGI stand ready to input where necessary.

While I judged it to be right for Simmons & Simmons to conduct a short, sharp review of the decisions around the specific Inquiry metric, my focus is now on ensuring necessary improvements are made to the remuneration and incentives approach as a whole. As such, in addition to your addressing the recommendations from Simmons & Simmons, as part of the next phase, I am also keen to better understand some of the decisions around other metrics in the Transformation Incentive Scheme relating to postmaster satisfaction, New Branch IT and organisation design. I would be grateful if Post Office could provide information on how each of these metrics were assessed and what evidence was used to inform the award levels. My officials will be in touch to discuss how this should be provided.

I would like to take this opportunity to thank Post Office for its swift actions in announcing Amanda Burton's investigation and for Post Office's cooperation with the Government-commissioned review. I appreciate the past weeks have been challenging for the

company, but I can assure you that I am committed to working with Post Office on the challenges you face.

Yours sincerely,



KEVIN HOLLINRAKE MP

Minister for Enterprise, Markets and Small Business



Department for Business & Trade

Kevin Hollinrake MP
Parliamentary Under Secretary of State

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Old Admiralty Building
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SW1A 2DY

Henry Staunton
Post Office Limited
100 Wood Street London
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31/05/2023

Dear Henry,

Thank you for your letter of 26 May and for sight of Amanda Burton's draft investigation report.

It was useful to see Amanda's final draft report and her analysis of the errors made. The fact that Post Office's Annual Report and Accounts for 2021/22 marked as achieved the Transformation Incentive Scheme (TIS) metric worded *'All required evidence and information supplied on time, with confirmation from Sir Wyn Williams and team that Post Office's performance supported and enabled the Inquiry to finish in line with expectations.'* when the Inquiry had not finished is a source of significant concern, not least as achievement of that metric resulted in greater bonus payments to senior Post Office executives at a time when Horizon-affected postmasters are still to receive full compensation.

After reading Amanda's review I am still left with two important, but unanswered, questions:

- first, why was an incorrect statement included in the Annual Report; and
- secondly, assuming it was included because RemCo determined that the relevant criteria were satisfied, how did RemCo reach that decision?

Amanda's report contains no information about the role that the Post Office Board and management played in overseeing verification and approval of the annual report and accounts (ARA), and little information about the evidence base that was used by RemCo to determine that the target had been achieved.

I would expect to see further information about these matters. As you know, my department will undertake a review of this matter and these will be areas which I will ask to be covered. I would be grateful if Post Office could provide all necessary assistance to that review. I plan to announce that review later this week.

Amanda's report lacks clarity about the engagement of "Government" in the form of the Shareholder Non-Executive Director (SNED), UKGI and BEIS/DBT. For example, it states (in Finding 3) "numerous people saw the wording [of the TIS metric] over many months, including in Government". However, the report refers to Government (in the form of BEIS) only having received an outline of the TIS in July 2021 (after which the formatting and descriptors of the scheme metrics were changed) and BEIS/DBT approved neither Post Office's ARA nor the award of the TIS.

I note Amanda's observations in relation to the ability of Post Office to clawback payments made under the TIS by reference to the unsatisfied metric. As the statement that the Inquiry had finished was manifestly an 'error or inaccurate or misleading information', I am glad that

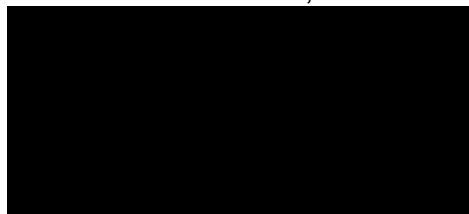
Board has asked the CEO to seek similar repayment from all those who received an award under the TIS. I would hope that all recipients will repay voluntarily but encourage you to consider further action in relation to any who do not.

My officials will be in touch with some more detailed observations on Amanda's report, including specifically around:

- the external validation of the TIS metrics as correctly requested by the SNED – for example, whether internal audit verified, and Deloitte provided final sign off to validate, the findings of paper tabled at the September 2021 RemCo meeting;
- the procedures followed by RemCo in relation to the award of the TIS, including why the RemCo 'discretion' which Amanda refers to in her report is not referred to in the final ARA statement;
- how RemCo felt able to exercise a discretion to deem satisfied a metric which explicitly contemplated the Inquiry having finished;
- the extent to which changes to the TIS were approved by BEIS/DBT or RemCo after being presented to BEIS's Permanent Secretary in July 2021 and the consequent propriety of those changes; and
- the role of Post Office management in the preparation of reports provided to RemCo and an assessment of the cause of the issues with them.

I understand that Amanda's report is going to be shown to those who are named in the report. I welcome this step. I have seen some concerns expressed by Tom Cooper about the accuracy of parts of the report. I would be grateful if Amanda could address those and the comments of other named parties before sending the final version to me as soon as possible this week. I intend to publish Amanda's report by the end of this week and so, in the interests of expediency, I am copying this letter to her.

Yours ever,



KEVIN HOLLINRAKE MP

Parliamentary Under Secretary of State – Department for Business and Trade



2nd June 2023

Kevin Hollinrake MP
Parliamentary Under Secretary of State
Department of Business and Trade
Old Admiralty Building, Admiralty Place
LONDON
SW1A 2DY

Dear Minister

Final report by Amanda Burton - Clarification to Post Office Annual Report and Accounts 2021-22

Thank you for your letter (31st May) with your comments on the draft report prepared by Amanda Burton.

You express your significant concern that the specific metric to support for the Inquiry was marked as achieved and that bonus payments were made to senior staff at a time when Horizon affected postmasters are still to receive full compensation. I emphasise my apology to you on behalf of Post Office, as we have directly to Sir Wyn Williams, for the error made in declaring this inappropriate metric achieved as part of the Transformation Incentive Scheme. These mistakes, although inexcusable, were made by the Remco with the belief that the Transformation Incentive Scheme as a whole was appropriate to prioritise the much needed transformation of Post Office.

You ask for further clarification on two specific issues notably: how the Remco determined that the relevant criteria had been met; and why the incorrect statement was included in the Annual Report 2021-22. Both of these issues are addressed in the final report by Amanda which is attached.

On the first issue, Amanda concludes that the terms of discretion were explained to the Permanent Secretary but the determination by Remco was not discussed with the Permanent Secretary as the Committee considered that they had discretion. The Board discussed in January 2022 the progress being made in delivering everything that the Inquiry had asked for and relied on a report prepared by Herbert Smith Freehills (HSF) and the in-house Post Office legal team that gave an update on recent developments in the Inquiry programme. We are seeking clarification about the status of this potentially confidential report from the Horizon IT Inquiry, which we would like to share with you not least given the public interest in disclosing it, but are unable yet to do so in the timescale required for publication of Amanda's report.

Amanda comments in her report that the first sub-metric was not achieved as by then the Inquiry had not completed, nor had the feedback from Sir Wyn (quite rightly) been sought. However, Remco exercised discretion, bearing in mind that the sub-metric was, and could not, have been achieved because the Inquiry timetable had been extended. Throughout the Remco sought advice and affirmation from the firm's remuneration consultants and internal auditors, noting the report by lawyers, and on that basis was pleased with progress, which is why they rated the overall metric as achieved. Amanda concludes that it would have been better to minute the depth of discussion and for the rationale to be explained in the Directors' Remuneration Report.

On the second issue, Amanda has provided further detail as to the process for signing off the Annual Report and Accounts, including the Directors' Remuneration Report. She states that these were shared with UKGI officials to comment on them, with emails received from them on 8th July, 25th July and 5th August 2022. A near final version was seen by the Audit and Risk Committee in July and a sub-committee was appointed to finalise the drafting. The final draft was presented to the Board for approval on 12th August and was published with the date of 17th August 2022.

Throughout these processes of approval, and as I said to you at our meeting on Monday 22nd May, I remain baffled as to how the inappropriate sub-metric, and the error in how it was described as achieved, was included in the published Annual Report and Accounts. As the newly appointed Chair of Post Office I will ensure further rigour is applied to Remco and Board processes to help avoid any similar such mistake in the future. In the final analysis, I accept that what is included in the published Annual Report and Accounts, no matter how many individuals and advisers are involved, is the responsibility of the Chair of the Board.

Amanda has also incorporated comments from your officials in her final report. You asked that she would address the concerns of Tom Cooper, as expressed to you, as well as share and address comments with others named in her report. Amanda has shared two drafts with Tom Cooper and has carefully reviewed his comments and made some changes where she felt this was appropriate having revisited the data. She has also sent the report to those named and reviewed comments received so far.

Subsequent to Amanda's final report, I am seeking further legal advice about the opportunity for mandatory clawback of the sub-metric payment by recipients and will keep you informed.

I affirm my support for the conclusions and recommendations made by Amanda in her final report, including re-engaging with the shareholder at the macro level, as that will drive better decision making at the micro level.

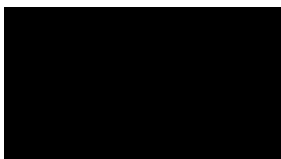
I also confirm, as set out in my letter to you on Friday 26th May that inter alia Post Office is taking the following actions:

- Amanda was appointed Chair of the Remuneration Committee with immediate effect as Lisa Harrington left the Board on Thursday 1st June. Tom Cooper has already left the Board.
- The Remco will review the terms of the 2022/23 Short Term Incentive Plan when it meets later in June and Amanda will be recommending that Remco exercises its discretion not to award the element of bonus specifically relating to the Inquiry. I endorse fully this recommendation. Any variable pay schemes going forward will also not include any metrics relating to the Inquiry.
- Executive Board members who benefitted from the specific Transformation Incentive sub-metric have voluntarily repaid it as have all the current members of the Group Executive. Other recipients of the Transformation Incentive are also being offered a way to voluntarily repay the specific sub-metric.
- I offer you my full support in considering any further changes that may be needed in how the Remuneration Committee operates and how its recommendations are approved by the Board and the shareholder. This could be considered as part of the separate review you have commissioned about the governance of remuneration at Post Office.

I understand that you intend to publish the report at the earliest opportunity from Friday 2nd June.

I remain determined that every part of the business not only supports all aspects of the Horizon IT Inquiry but also retains its focus to transform the business, its culture and its operations, to help Postmasters thrive as they serve their customers and their communities across the UK.

Yours sincerely



Henry Staunton
Chairman, Post Office Limited



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Business & Trade

Kevin Hollinrake MP
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Nick Read
CEO Post Office Limited
100 Wood Street
London
EC2V 7AN

1 August 2023

Dear Nick,

RE: Funding Request and New Branch IT System

I am grateful to you and your team for engaging constructively with my officials in the weeks since Post Office Limited's (POL) funding request was submitted in mid-June. We are considering the funding request carefully to ensure it aligns to policy priorities and delivers value for the taxpayer. This will require hard choices both by POL and by HMG.

Clearly, the single largest contributor to the overall request relates to the New Branch IT system (NBIT), where – as we heard at the POL Board meeting that I attended on 12 July – costs and timescales have increased significantly since the project was first launched. I understand that POL colleagues are working at pace to develop options to markedly reduce NBIT costs over the next two years, while still enabling you to develop a modern and fit-for-purpose system. I appreciate that this is not an easy task, and decisions of this magnitude cannot be rushed. However, I am concerned that, while options are being considered, there is a risk that spending on NBIT continues apace, and to an unsustainable degree.

Mindful of obligations set out in *Managing Public Money*, I would urge you to carefully consider the value for money of funds spent on NBIT ahead of a firm decision on future funding. I understand from officials that this is foremost in your mind, and that you are assessing both the direct IT costs and the costs of preparation for rollout while options are considered and assured. I was reassured to learn that spending has been slowed – and am supportive of ongoing restraint – while government considers your funding request in full and comes to a firm position in relation to NBIT.

Should you have any further questions, please do reach out to my officials, who will be happy to discuss this matter with you.

Yours sincerely,



KEVIN HOLLINRAKE MP
Minister for Enterprise, Markets and Small Business



3rd August 2023

Kevin Hollinrake MP
Parliamentary Under Secretary of State
Department for Business and Trade
Old Admiralty Building
Admiralty Place
London
SW1A 2DY

Dear Minister Hollinrake

RE: Funding Request and New Branch IT System

Thank you for your recent letter regarding Post Office's funding request and New Branch IT System. I am reassured by the seriousness with which this is being taken by your Department, and I recognise that any new settlement will require hard choices to be made by all parties.

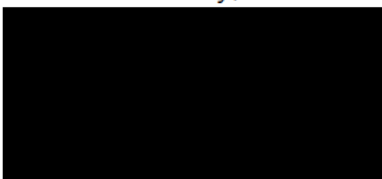
I appreciate that while funding discussions are ongoing, and given the likely outcome of those discussions as well as my duties under *Managing Public Money*, it is right for Post Office to scale back what it is spending on New Branch IT. We must be cautious and my team have been planning to implement spending cuts for a number of weeks. We have been taking action on this since late July and we will take further steps in the coming weeks.

While these cuts will help to reduce the size of any Security Headroom breach, they are unlikely to materially delay any breach, so I have asked my team to continue working with your officials to secure a revised funding settlement at the earliest opportunity. This will also help to make sure Post Office is able to sign its accounts for FY22/23 before the end of the calendar year.

At the same time, it remains important that Post Office continues to provide the right level of support to the Post Office Horizon IT Inquiry. You will be aware that we have faced a number of challenges linked to the Inquiry in recent weeks. We know that this will impact the costs we have to incur and, as a consequence of this, the funding we need from your Department to ensure our continued participation in this important work. Your officials are sighted on these developments and we have committed to sharing updated forecasts when these are available.

Lastly, I would like to take this opportunity to thank you and your officials for your support during this challenging period. I am under no illusion as to the difficulty of the task before us all, however I am confident that we can navigate to an acceptable outcome in the coming months.

Yours sincerely,



Nick Read

Chief Executive, Post Office Limited



10th May 2023

Rt Hon Kemi Badenoch MP
Secretary of State
Department of Business and Trade
Old Admiralty Building, Admiralty Place
LONDON
SW1A 2DY

Dear Secretary of State

Clarification to Post Office Annual Report and Accounts 2021-22

I write to apologise to you on behalf of Post Office for the error made in including an inappropriate metric as part of the Transformation Incentive scheme in 2021/22 in relation to the Post Office's performance in discharging what were, and continue to be, its clear obligations to the Horizon IT Inquiry. That error was compounded by Post Office's mistake in declaring that this element had been achieved successfully.

As detailed in the Company's statement from Lisa Harrington yesterday, an investigation into the circumstances which resulted in these mistakes is underway. That investigation is being led by Amanda Burton, a Non-Executive Director who joined the Board just two weeks ago, on 27 April 2023. Amanda also takes over as Chair of our Remuneration Committee (Remco) from Lisa Harrington as part of planned succession arrangements for Remco. We would welcome the involvement of an independent third party to assure the robustness and integrity of the investigation and its recommendations and invite your suggestions in this regard.

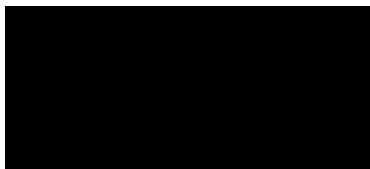
You will be aware that, as Chief Executive, I have volunteered to return the portion of the bonus which is attributable to all of the business' work described as relating to the Inquiry and not only to the specific element of the metric at issue. The position of other recipients of relevant payments will be addressed as part of Amanda Burton's work.

Finally, it is our intention to appoint an independent expert to undertake a detailed review of the Post Office's governance framework. In the light of the remuneration issues, we intend to request a specific focus on the governance arrangements for Remco and to ask that this part of the expert's report be prioritised. I hope that this will be helpful in providing another avenue for recommendations and assurance that could simplify our current governance arrangements. These have, in recent years, become unsustainably cumbersome and do little to promote clarity in decision-making processes. We would welcome a commitment by the Government to review our governance and the reports by the independent expert may be helpful to you.

The errors for which I have apologised are a source of deep regret both for me personally and for the Company as a whole. We will continue to work hard as a business to support every aspect of the Inquiry's work and to offer those affected full and fair compensation as quickly as possible. The transformation of Post Office, its culture and its operations, is vital to the success of today's Postmasters and the customers and communities they serve. The provision of these essential services should not be jeopardised by the rightful fulfilment of our duties to the Inquiry and the Postmasters affected.

I am copying this letter to the Parliamentary Under Secretary of State, Kevin Hollinrake MP

Yours sincerely



Nick Read

Chief Executive, Post Office Limited



8th March 2023

Kevin Hollinrake MP
Parliamentary Under Secretary of State
Department of Business and Trade
Old Admiralty Building
Admiralty Place
LONDON
SW1A 2DY

Dear Minister

'Hard to Place' branches

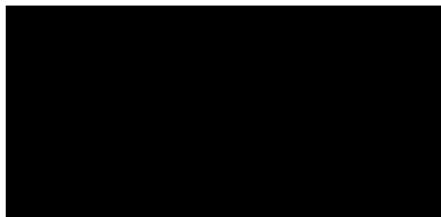
Thank you for your letter (2nd March 2023) confirming your agreement to the proposed change to a more flexible and pragmatic approach to 'Hard to Place' branches in the Post Office network. The options for compensation and review of the legal advice will be ratified by the Board.

This revised approach to 'Hard to Place' branches should bring some much needed certainty for the Postmasters affected.

We will ensure that the communities in these locations continue to be able to benefit from the products and services that Post Office provides consistent with the accessibility criteria.

We will keep your officials updated on progress with implementation of the new approach over the coming months.

Yours sincerely



Nick Read
Chief Executive, Post Office Limited





13th September 2023

Kevin Hollinrake MP
Parliamentary Under Secretary of State
Department of Business and Trade
Old Admiralty Building, Admiralty Place
LONDON
SW1A 2DY

Dear Minister

Restorative justice for victims of the Horizon IT scandal

The concept of restorative justice has been applied over recent years to help victims of an offence deal with its aftermath. This often includes mediation between parties as well as potential opportunities for restitution or reparation. I would like to request your support for Post Office to be able to cover costs for modest, practical restorative gestures, in addition to the formal compensation payments being made from within the existing envelope of funding for compensation. If the Government considers a wider and more formal approach to restitution or reparation is needed, then this should be led and funded separately from Post Office.

Following the public offering of meetings at the Inquiry, senior colleagues and I continue to meet personally with victims to provide an apology on Post Office's behalf. These are proving cathartic experiences. Those we meet leave us in no doubt of the importance of current senior executives hearing their personal accounts of what happened to them and what they feel, beyond financial compensation, would further support them in finding as much closure as possible.

To date twelve meetings have been held - many of them with high profile victims and some involving their Member of Parliament. A further fifty-plus meetings are requested or planned over the next six months.

We have heard moving insights into what 'justice' means at a personal, individual level to those affected by the scandal. What has become very clear is that, in addition to apology meetings, there are other 'restorative' actions we should take. I understand that this has been a feature of other remediation schemes such as the Grenfell disaster.

Whilst suggestions raised by victims do vary, it is modest, practical gestures that many say they would find meaningful. Examples include counselling, bursaries for retraining, help with expenses to attend Inquiry hearings of personal significance (if not fully covered by available Inquiry expenses), and local community statements that reinforce that criminal convictions have been quashed.

I believe that reasonable requests should be met. Whilst there would of course need to be proper governance alongside limits to individual payments up to £3,000 for specified gestures, I am firmly of the view that such payments fall within the scope and spirit of the funding that the Government has already agreed to provide to Post Office to compensate affected Postmasters with overturned convictions, and through the Horizon Shortfall Scheme. Therefore, I have asked colleagues to investigate obtaining the necessary approvals from Government to allow us to respond appropriately to victims' requests made at these meetings and provide any associated payments up to a maximum of £3,000 from the existing funding envelope and within headroom.

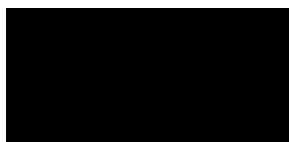
Our meetings also include Postmasters in the GLO ex-gratia Scheme but the headroom here is sufficient for this also. I hope you are able to support this request. This would help demonstrate powerfully that both Post Office and Government are indeed listening to people who were wronged and that there is sincerity in our commitments to them.

If the Government considered it appropriate to instigate a wider programme of restorative justice beyond these payments for specific gestures, this would need to be funded and administered separately from Post Office.

On other remediation matters, you will be aware that Post Office is continuing to work at risk in relation to the GLO Scheme as we do not currently have formal funding in place and additionally on resolving the taxation top ups for the HSS. We have been provided with comfort letters by DBT but the absence of progress on the formal funding arrangements is now causing us some concerns. The teams do continue to engage at a working level, but I know you will recognise that these issues must be resolved as quickly as possible.

I look forward to discussing the approach to restorative justice with you at our next monthly meeting.

Yours sincerely



Nick Read
Chief Executive, Post Office Limited



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Kevin Hollinrake MP

Parliamentary Under Secretary of State
Department for Business and Trade
London
SW1A 2DY

28 November 2023
Post Office
100 Wood Street
London
EC2V 7ER

Dear Minister

Post Office Horizon IT Inquiry: Post Office Ltd disclosure update

Following your exchange of correspondence with Post Office's Chair in August in relation to our disclosure to the Horizon IT Inquiry, I am writing with an update on the ongoing disclosure exercise Post Office is undertaking.

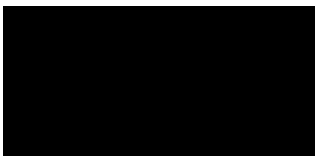
The disclosure remediation and assurance exercise that was necessary following the disclosure issues over the summer and the disclosure hearing in September have progressed well and are substantively complete. You will have seen some more recent discussion in the Inquiry hearings about Post Office's ongoing disclosure, particularly of email data. Investigations since the summer have revealed that our previous understanding that a data repository called Mimecast held all emails relevant to the Inquiry was mistaken. We have since identified that there are additional emails which sit in a different repository, Microsoft Exchange, which may need to be disclosed to the Inquiry.

The issue potentially affects all those individuals for whom email data has been collected for the Inquiry, some of whom have already given evidence. We are working around the clock with a team of over 160 people to identify and produce any additional documents which ought to be disclosed. While full and comprehensive disclosure has been achieved in respect of many Phase 4 witnesses such that their hearing can proceed as planned by the Inquiry, the evidence of some witnesses in this Phase has had to be postponed while further searches and reviews take place.

To support the progress of the hearings, the immediate priority remains the pending Phase 4 witnesses, however we are also swiftly considering the position of those witnesses who have already given evidence so that Sir Wyn can determine whether any need to be recalled. In addition, since the issue is also capable of affecting Phases 5 – 7 of the Inquiry, we will be taking preventative measures to mitigate the risk of future delays.

We are working closely with the Inquiry and providing them with regular updates. Our Inquiry Team is investigating the matter and has met with our expert service providers to build an action plan which includes additional resourcing to resolve the issue as swiftly as possible. I want to assure you that we remain committed to working with Sir Wyn in an open, transparent and efficient manner throughout the Inquiry. I will be able to share a further update when we meet on 5 December.

Yours sincerely



Nick Read
Chief Executive Officer



24th March 2023

Kevin Hollinrake MP
Parliamentary Under Secretary of State
Department for Business and Trade
Old Admiralty Building
Admiralty Place
London
SW1A 2DY

Dear Minister

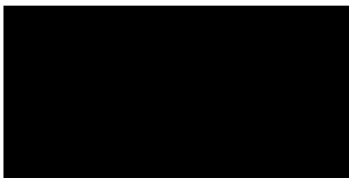
Each summer Post Office holds its annual Board Strategy Away Day to discuss the future of our business and its strategic direction, from our commercial activities through to our network design. In light of the challenges we face, and with a new Chairman and four new Non-Executive Directors (including a new Shareholder representative Non-Executive Director), this year I am expecting the event to be particularly interesting.

Last year Jane Hunt MP attended shortly after her appointment as Parliamentary Under Secretary of State and her attendance and engagement was welcomed by the Board. Building on this we would like to extend an invitation to you to attend this year's event.

The Board Strategy Away Day will be held in our new offices near St Paul's on 11th July and, if you were available, the Board would welcome the opportunity to meet with you to hear your views about the future of the Post Office and your priorities for our network. We will also have a number of Area Managers in attendance and, like last year, this would provide you with an opportunity to directly hear from our people about what is happening in Branches in their respective regions.

Our agenda for the day can be flexible around your diary, but if you had an hour in the late afternoon – i.e. 30 mins with the Area Managers and 30 minutes with the Board – I would be very grateful.

Yours sincerely



Nick Read
Chief Executive, Post Office Limited

Nick Read
Chief Executive
Post Office Limited
100 Wood Street, London, EC2V 7ER

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E: Hollinrake.Correspondence@businessandtrade.gov.uk
W: www.gov.uk

05 January 2024

Dear Nick,

Thank you for letter of 13 September 2023 regarding your request for the Department to support Post Office to cover costs for restorative justice meetings with postmasters affected by the Horizon scandal.

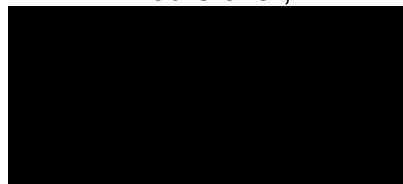
I understand that the request was for up to £250,000 to cover meeting expenses for claimants, logistics (for claimants and venues) and any reasonable associated costs incurred by claimants' representatives if also in attendance up to the end of Q1 2024.

I am pleased that Post Office continues to deliver these restorative justice meetings. Like you, I recognise their value and it is encouraging to hear the positive feedback from postmasters, both in terms of the meetings themselves and the way in which you and other Post Office colleagues personally approach them and respond to the range of requests you receive. It is important that Post Office and Government continues to do everything it can to right the wrongs of the past and help victims reach closure.

Since you submitted your request we have of course agreed a much larger funding package covering a number of areas, many of them Horizon-related. I was persuaded that this package was necessary given your financial situation. I have considered this further request with my officials and at this time believe that it would be more appropriate for Post Office to continue to cover these costs and, therefore, respectfully decline your request. More broadly, I am keen, in line with Post Office's operational independence, that Government should not have to consider providing small amounts of funding for individual activities.

As you know, restorative justice is of keen interest to the Post Office Horizon IT Inquiry. Should Sir Wyn comment on the matter I am sure you will listen to his views carefully.

Yours ever,



KEVIN HOLLINRAKE MP
Minister for Enterprise, Markets and Small Business



Department for
Business & Trade

Kevin Hollinrake MP
Parliamentary Under Secretary of State

Department for Business and Trade
Old Admiralty Building
Admiralty Place
Whitehall
London
SW1A 2DY

23 December 2023

Nick Read
Post Office Limited
100 Wood Street
London
EC2V 7ER

Dear Nick,

Post Office Horizon: Tax Top Ups

I'm writing in the light of the recent media claims about the way in which we are ensuring that postmasters do not face additional tax bills as a result of compensation received under the Horizon Shortfall Scheme.

We have already ensured that no-one's compensation will be unduly reduced by tax. I also want to ensure that postmasters do not face additional inconvenience or worry. Whilst the concerns expressed in the media are to some extent overstated, I want to see any residual problems dealt with as fully as possible.

I appreciate that many postmasters have already received letters confirming the amount of top-up compensation that they will receive. Nor will there be an issue for those postmasters whose claims were paid after April this year.

The remaining concern is therefore about those people who were paid compensation prior to April 2023 and who have not received a top-up letter well ahead of the 31 January deadline.

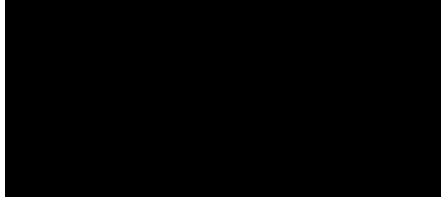
These people may face one of two remaining possible issues:

- Some people may be completing a tax return without realising they could get professional advice. We have already announced £250 plus VAT per tax year of help to each postmaster to support the costs of professional help with filing tax returns. I would be grateful if you could advertise this more prominently. I would be happy to support you by tweeting this information out.
- Some higher-rate taxpayers may not receive top-ups ahead of having to pay tax for 2022-23, although they will not ultimately be out of pocket. This will be a small minority of postmasters. I understand that you are already prioritising letters to those who received payments before April 2023 and have accelerated the issue of the letters. I would be grateful if you could consider what more you could do to accelerate matters further.

HMRC have indicated that they will cancel any penalties and interest for postmasters who do not file their Self Assessment return or pay tax on time due to a late top-up payment. They have also set up a team to provide postmasters with tax information required for their compensation claims. I would be grateful if you could publicise these arrangements in your letters to postmasters.

I would be grateful if you would continue to prioritise claims that were settled prior to April 2023 with the aim of sending as many of these as possible ahead of 31 January 2024; and strengthen your publicity around the availability of professional help with tax returns. I am sure you understand the urgency of this situation.

Yours sincerely,



KEVIN HOLLINRAKE MP

Minister for Enterprise, Markets and Small Business



Department for Business & Trade

The Rt Hon Kemi Badenoch MP
Secretary of State for Business & Trade
President of the Board of Trade
Minister for Women & Equalities
Department for Business and Trade
Old Admiralty Building
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Nick Read, Chief Executive
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E Badenoch.Correspondence@trade.gov.uk
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15 May 2023

Dear Nick,

Post Office Accounts

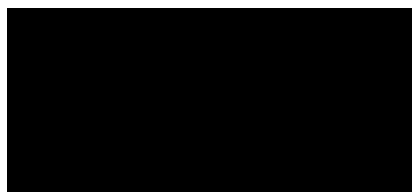
Thank you for your letter of 10 May. I appreciate you taking the time to write and apologise on behalf of the Post Office.

I also welcome the investigation that Amanda Burton is undertaking into the incident, in her role as the incoming Chair of the Post Office Remuneration Committee. I have set the expectation that this investigation should complete within two weeks, to allow us all to have clear sight of all the facts, particularly the evidence case that was used to assess that the Inquiry sub metric for 2021/22 had been 'achieved'. UKGI have confirmed that Amanda will work to this timetable, and I am grateful for this. We have also been approached by the Business and Trade Select Committee, who will I am sure be keen to see the results of the investigation too.

You will have heard Minister Kevin Hollinrake say in the House of Commons on 10 May that our department is going to separately commission an independent review of the governance around Post Office remuneration. This will take account of the issue of corporate best practice that you mention in your letter. We are in the process of appointing the lead of this review, which will run in parallel to Amanda's investigation, and we will share information with you about this soon. This review is more likely to focus on whether there are significant safeguards built into the process than removing bureaucracy. I will be grateful for your full commitment to share information with the reviewer once they take up that role.

This has been an unfortunate episode and I am determined to ensure that we establish the facts and allow the investigation and review to complete their work before we reach conclusions about next steps. I appreciate your engagement as we take forward the investigations and any follow-on actions.

Best wishes,



THE RT HON KEMI BADENOCH MP

Secretary of State for Business & Trade and President of the Board of Trade
Minister for Women & Equalities



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Date
07 February 2024

Kevin Hollinrake MP
Parliamentary Under Secretary of State.
Department for Business and Trade
Old Admiralty Building Admiralty Place
Whitehall
London
SW1A 2DY

Post Office Ltd
100 Wood Street
London
EC2V 7ER

Pre-Horizon 'Capture' Cases.

Dear Minister

In the light of recent concerns raised in the House and by the media about pre-Horizon 'Capture' cases from the 1990s, I am writing to update you on our approach to investigating these issues, based on the information that we have to date.

Kevan Jones MP has also brought this to our attention and had a meeting with [REDACTED] [REDACTED] the other week, where Mr Jones helpfully provided some further information from former Postmasters.

We are taking the matter very seriously and have set up an internal team to look specifically into Capture. The team is gathering information as quickly as possible; so far, we have identified six cases to date where former Postmasters have said that they experienced detriment through using Capture. We are particularly concerned about allegations of prosecutions, and we are looking into this along with all available facts about Capture, including whether shortfalls could have been caused by faults in this software, and the potential impacts if so. We are undertaking checks for applications made to the Horizon Shortfall Scheme which were not eligible, but which may have included complaints relevant to Capture.

Our current understanding, from very limited information, is that this software was used by some Postmasters, alongside manual processes, for simplifying accounts before they were manually submitted, but does not appear to have been 'networked'.

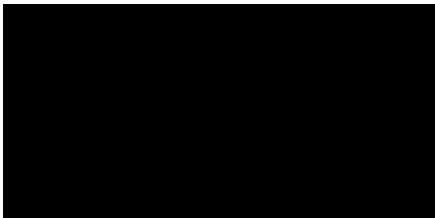


Given the passage of time since these cases occurred, around 30 years ago, and changes to data storage systems, we do not have, by any means, a definitive picture of Capture. We will be fully transparent about the result of our investigations. It is important that we gather all information available to us and we encourage anybody with information about the system to come forward, so that we can understand the situation more fully.

Post Office will update your officials as my team continues to bring as much information as possible to light, to inform decisions on addressing the outcomes from this work. We have committed to publish the findings of our investigations in due course.

I fully recognise the challenges that this may bring as we seek, with Government, to fairly resolve past issues and deliver justice and redress. My team is working closely with your officials to ensure they are promptly and clearly sighted on findings as we move forward. I would be pleased to discuss with you further if you wish.

Yours sincerely



Nick Read, CEO

Nick Read
Group CEO

100 Wood Street
London, EC2V 7AN





11th September 2023

Kevin Hollinrake MP
Parliamentary Under Secretary of State
Department for Business and Trade
Old Admiralty Building
Admiralty Place
London
SW1A 2DY

Dear Minister Hollinrake

Update on New Branch IT System and Post Office Spending

Further to your letter of 1 August 2023 urging me to carefully consider the value for money of funds spent on NBIT ahead of a firm decision being made on funding and my response to you on 3 August 2023, I am writing today to provide you with an update on the steps POL has taken to slow spending and my expectations for continued activity while discussions with your Department and HM Treasury are ongoing.

Before receiving your last letter, POL had already been planning to reduce its spend on NBIT and over the past eight weeks we have taken a number of decisive actions to reduce the costs we are continuing to incur on these activities. Since early August we have taken proactive steps to significantly reduce our programme run-rate with our external suppliers and we have already exited a number of these arrangements, while also deprioritising as much other activity as possible. At the same time, we have continued to progress to the launch of the next major release of NBIT as this is very close to completion.

By early November we are aiming to have reduced our running costs from a planned average monthly rate of ca.£14m to ca.£4m. This will be achieved through reducing staffing levels by around 500 FTEs, mostly from our external suppliers, by reducing the delivery scope for March 2024 to focus on Release 2.0 and by consolidating technical development and deployment into a single programme. As you will appreciate, this cannot be achieved overnight but it is being delivered at pace and with a focus on minimising long-term damage to the wider programme.

I will be providing an update to my Board in late September on this and, at the same time, I will also be seeking their approval to continue to spend on the programme while discussions with your Department and HM Treasury are ongoing. I expect to seek their approval to cover spend up to and including POL's March Board at these reduced levels, though where possible we will still be looking to cut spending further while continuing to make *some* progress towards the development and deployment of a modern and fit-for-purpose system. Your officials are sighted on this and I understand this approach is in line with your expectations of POL for the period.

By continuing to spend it is important that all parties recognise this increases any *minimum* amount of funding we will require from HM Treasury by the amount we spend each month. Even though we do not believe there is strong or widely-held appetite for this lowest-cost option – i.e. for POL to remain on Horizon long-term – we do accept it is an option available to HM Treasury, and therefore exercising restraint will continue to remain a very high priority for me.

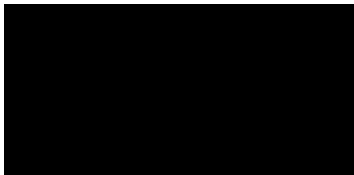
If your Department or HM Treasury wish for POL to reduce spending further I would welcome the opportunity to meet with you to discuss this. I understand why such an approach might be appealing – especially in light of ongoing uncertainty – but it will be important for me to outline the risks of such an approach. In particular, the more we cut spending the harder it will be to restart activity once agreement has been reached on the right way forward, recognising the reductions we have made already will have impacted the timing of what we can deliver.

These reductions are also likely to see people exiting the business who we might wish to retain, but also because momentum and morale are very challenging to rebuild once lost in complex programmes like this, which could create challenges in scaling up activity at a later date. It is also worth noting that our contract with Fujitsu is due to expire in March 2025 and Fujitsu will want to see a credible, funded Horizon-replacement programme before they begin to engage in any negotiations to extend beyond that point.

As I outlined in my last letter, while the spending cuts we are making will help to contain the minimum amount of funding we require from HM Treasury, it will not materially delay any breach of Security Headroom which is still forecasted for the end of the calendar year. This is also the deadline for POL to file its accounts for FY22/23 and I believe we have collective agreement that a delayed filing should be avoided. I would be grateful for your continued support, and the engagement of your officials, in making every effort to meet these deadlines.

I remain under no illusion as to the difficulty of the task before us all at this challenging period. However, I am confident that we can navigate to an acceptable outcome in the coming months.

Yours sincerely



Nick Read

Chief Executive, Post Office Limited



Department for
Business & Trade

Kevin Hollinrake MP
Parliamentary Under Secretary of State

Department for Business and Trade
Old Admiralty Building
Admiralty Place
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London
SW1A 2DY

Henry Staunton
Chair
Post Office Limited
Finsbury Dials
20 Finsbury Street
London
EC2Y 9AQ

29 June 2023

Dear Henry,

STRATEGIC PRIORITIES FOR 2023/24

I write to you to set out the key priorities on which the Department would like you to focus on in the coming year. I appreciate that this is a difficult time for the Post Office and that you are facing significant headwinds and immediate challenges.

I am pleased to note that, as of June 2023, over 99% of eligible applicants under the Historical Shortfalls Scheme have received an offer and that POL is working to make offers to the rest, as well as late applicants, as soon as possible. With regard to the 86 claimants whose historical convictions have been overturned to date, most have now received an interim payment of £163,000, and 53 non-pecuniary claims are settled and paid. This progress has been hard won and I am pleased to note the collaborative approach between our respective teams.

POL's Board has now made its funding ask for the remaining two years of the Spending Review. This reflects increasing costs primarily driven by the New Branch IT programme, as well as the growing complexity of the Inquiry and historical matters. I am also aware of the current forecast that, without additional Government funding, POL will be in breach of its financial covenant during the fiscal year 23/24. We will consider the funding request carefully to ensure it aligns to policy priorities and delivers value for the taxpayer. It will clearly require hard choices both by POL and by HMG. I have asked DBT officials to work with yours on improving good governance around business planning, cost control and remuneration.

I look to you continuing to lead the Board and provide support and challenge to the Chief Executive and management team in stewarding the company through this challenging period. For reference, UKGI's standard governance expectations of a Chair are at Annex A.

Specifically, I would like you to focus on the following priorities, and align the reward package to the shareholder priorities:

1. Effective financial management and performance, including management of legal costs, to ensure medium term viability

For FY23/24, POL should:

- Manage financial performance effectively against the agreed business plan and annual budget (noting that an agreed position on the 3 Year Plan will need to be reached to facilitate this);
- Provide robust options for the Shareholder to consider with regards to NBIT, so informed difficult choices about risk, cost and value for money can be made as part of the 3-year plan;
- Ensure that we agree a pipeline of upcoming approvals for spend above the £50m threshold, so that alignment with Shareholder objectives can be considered when developing the spend proposal;
- Maintain stringent cost control, and maintain a clear focus on value for money and efficient delivery, across the cost base, including:
 - NBIT and IT projects;
 - Legal costs;
 - Accelerating the network strategy;
 - Funding of DMBs; and
 - Other measures aimed at reducing central costs wherever possible.
- Ensure robust ongoing monitoring of financial performance including investment spending and liquidity monitoring with early and transparent flagging of risks to the Shareholder.

2. Address POL's historic failures and set the business up for success in the future.

For FY23/24, POL should:

- Continue to engage positively with the Post Office Horizon IT Inquiry on a timely basis and in a demonstrably open, transparent and efficient manner;
- Demonstrate, with the support of external assurance where appropriate, the company's conformance to the CIJ and HIJ rulings;
- Provide fair compensation to those affected by its historic failures and, in particular, inject pace into its delivery of compensation for those with overturned convictions; and
- Ensure that lessons from the past failures are incorporated into the successful delivery of the Strategic Platform Modernisation Programme in terms of both the development of the technology and the roll-out to postmasters.

3. Maintain and improve POL's capacity, capability, and resilience at all levels of the organisation

For FY23/24, POL should:

- Ensure the Board is providing effective challenge and scrutiny to management proposals;
- Support and challenge the CEO's efforts to improve the expertise, depth, and resilience particularly at the Group Executive team to ensure the team is capable to deliver the business plan presented; and
- As part of building POL's resilience, update the Shareholder on how cultural transformation is being incorporated and embedded into the organisation.

4. Facilitate the sharing of information with UK Government Investments ("UKGI") and the Shareholder in an open and transparent manner

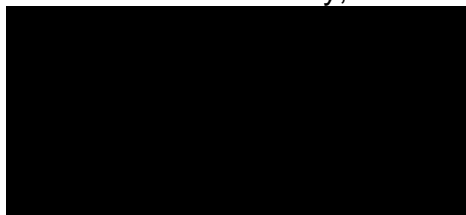
For FY23/24, POL should:

- Proactively share information with UKGI and the Shareholder on material issues in an open and transparent manner;
- Robustly challenge the invocation of any restrictions on information sharing (including pursuant to undertakings made in connection with the POL Horizon IT inquiry) as to their applicability and whether they prevent all information on the relevant matter being shared with the Shareholder; and
- If and to the extent possible, provide the Shareholder with an explanation if such restrictions cannot be avoided and a confirmation from the Chair or the CEO that they have received legal advice which supports the invocation of such restrictions.

I would be grateful if POL could keep the Department updated on your progress against these priorities through the regular 1:1s between the DBT Permanent Secretary/Chair and DBT Director General/CEO. I would also ask that you and the CEO provide a signed written report on progress in advance of each Quarterly Shareholder Meeting (QSM) ahead of a standing agenda update against priorities at the QSM. The progress update should include commentary on key personnel risks and contingencies at both the Board and Group Executive level.

I look forward to seeing you soon and continuing to work with you on delivery of a successful and sustainable Post Office.

Yours sincerely,



KEVIN HOLLINRAKE MP

Parliamentary Under Secretary of State – Department for Business and Trade

Annex A: Governance Expectations of the Chair

This annex, produced by UK Government Investments (“UKGI”), sets out the standard governance expectations of Chairs within its portfolio. This is not an exhaustive list of the duties of a Chair, and should be read together with the covering letter, which has been tailored to the needs of Post Office Limited (“POL”) and outlines the specific priorities and expectations of both DBT and UKGI, acting as shareholder. This document does not supersede or alter any responsibilities as set out in POL’s Framework Document, Articles of Association or Funding Agreement.

UKGI, acting as shareholder on behalf of Departments, expects the Chairs of its Assets to lead the Board in an effective and collegiate manner, and adhere to best practice corporate governance standards where possible in undertaking their roles. It is your responsibility, as Chair of POL to lead the Board, and ensure that it undertakes all of its responsibilities as set out in POL’s Articles of Association and Terms of Reference, Managing Public Money and the Corporate Governance Code. The Chair should set the tone from the top of the POL and promote an effective and appropriate culture in both the Boardroom and the wider organisation.

Your responsibilities are to act in accordance with the highest standards of corporate governance, and are complemented by requirements and expectations of you by HM Government. Below is a list of some of the core governance expectations of UKGI regarding your duties as Chair encompassing both of these elements. This list is not intended to be exhaustive, and does not supplant any responsibilities set out in the POL’s governing documentation:

Set the Board’s agenda

You should set the POL’s Board’s agenda in good time ahead of a Board meeting. There should be sufficient visibility of items for forthcoming meetings to allow Board members, Executives, and stakeholders as necessary to prepare and engage with the Board. The agenda should focus upon the POL strategy and any policies as set by BEIS. In addition, the Board’s agenda should interrogate the POL’s ongoing performance, culture, and value for money, all while being cognisant of its overall accountability to the Secretary of State, and ultimately, the taxpayer.

Encourage engagement from Board members

You should encourage Board members to engage with POL both within Board meetings, through active participation in discussions and decisions, and more widely. You should encourage Board members to join Board committees where they can add value. You should support Board members to contribute their expertise where relevant to POL on an ongoing basis. You should foster effective relationships based on trust, mutual respect, and open communication between Board members and the Executive team, both inside and outside of the Boardroom. You should monitor and manage conflicts of interest among Board members in order that the Board may function appropriately, in accordance with the conflicts of interest policies of DBT and POL.

Foster relationships between the Board and stakeholders, including Government

You should be the principal point of contact between stakeholders and the Board. You should foster constructive relationships with all relevant stakeholders to POL, including postmasters and employees. You should also maintain a constructive relationship with DBT and UKGI in the course of your work.

Develop a strong working relationship with the Chief Executive

Your relationship with the Chief Executive is key to the long-term success of POL. You should provide support and advice to the Chief Executive, while respecting their executive responsibility. You should work with the Chief Executive to consider the strength of the broader executive team. Under your leadership, the Board should consider executive succession planning on a regular basis.

Work with HM Government on the composition of the Board, and the appointment of new Board members

You should consider the composition of the Board in line with the requirements of POL on a continual basis, providing regular feedback to DBT and UKGI as appropriate. You should work with DBT and UKGI to consider appointments to the POL Board. You should engage in the appointment process as appropriate as per the agreed framework, and in compliance with rules or regulations governing appointments to the POL Board.

Provide mentoring and an induction to new Board members

You should lead the induction to new Board members on behalf of POL. You should make sure new Board members are introduced to all relevant people both within POL and among stakeholders. This should be done in cooperation with DBT and UKGI. The induction process should familiarise new Board members with POL and its overall governance framework.

You should encourage Board members to develop their knowledge and skills

You should continually consider the knowledge and skills that the Board requires to discharge its duties to POL, this should be considered in conjunction with UKGI. Where the Board would benefit from additional knowledge and skills, which can be met without the need to recruit new or additional Board members, you should encourage Board members to undertake relevant training and education where possible.

Lead the annual evaluation of the Board, which should be externally facilitated at least every three years

You should ensure that a review of the Board's effectiveness is undertaken on an annual basis. This should be facilitated by an external provider at least every three years. Where the evaluation is not externally facilitated, you should lead the process, gathering feedback from Board members regarding the Board's functioning. You should also consider how stakeholders, such as DBT and UKGI, can input into the review, to provide comment upon the Board's effectiveness in engaging with Government and stakeholders. You should be responsible for overseeing the implementation of any recommendations arising from a review as necessary.

Evaluate the performance of non-executive Board members at least annually

You should undertake a review, at least annually, of the performance of non-executive Board members. This review should consider their contributions to the Board, and the value they add to POL. You should write these reviews and be prepared to share them with DBT and UKGI in an appropriate manner. A written review of performance may be necessary to support any reappointment decisions for Board members.

Be subject to an annual performance evaluation

You should engage with an evaluation of your performance on an annual basis. You should allow the Senior Independent Director to gather feedback on your performance from the perspective of Board members. DBT and UKGI shall gather feedback from Government and other stakeholders. This will be collated by UKGI and provided to the Principal Accounting Officer in an appropriate manner. A written review of your performance may be necessary to support any reappointment decision.