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To: Minister Hollinrake & Secretary of State

SCS: Lorna Gratton (UKGI) &
Carl Creswell (DBT)

From: Lorna Gratton, UKGI,
Carl Creswell, DBT

Date: 23 Jan 24

FOR DECISION

Summary of the issue: We have previously expressed concerns to you about Henry Staunton's suitability to be Chair of the Post Office Board (**Board**). Other Board and Exec teams members have privately shared these concerns. This has now come to a head with the Senior Independent Director, supported by the RemCo chair expressing serious concerns about Mr Staunton to the Department, and recommending that you, as Shareholder, remove Mr Staunton from his post. Officials agree that Mr Staunton's conduct and judgement make him unsuitable to continue as Chair of the Board and recommend that we remove him from the Board.

Recommendation:

- That the Shareholder exercises their power under the Post Office's Articles of Association and removes Mr Staunton from his post.

Timing: Urgent, the Post Office board is due to meet on Tuesday 29 Jan. We recommend acting ahead of that meeting

1. On Monday 22 Jan, the Senior Independent Director (**SID**) of the Post Office Board telephoned DBT to express serious concerns about Mr Staunton's behaviour, and recommended to the Department that you remove him as Chair of the Post Office Board. UKGI and DBT officials share this view and agree with this recommendation.

2. The concerns raised by the SID include:

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- a. Repeated attempts by Mr Staunton to close down a whistleblowing investigation into his (and, the CEO's) conduct¹. This has included attempting to pressure both POL staff and Board members into ending the investigation, which the SID notes reflects a pattern of behaviour on Mr Staunton's behalf.
- b. Aggressive, intimidating and disrespectful behaviour to other Board members and members of the Executive Team. This has resulted in written complaints from Executives to the CEO about the Chair's conduct and multiple verbal complaints to the Chief People Officer from different parties.
- c. Continued poor understanding of the public sector operating environment and poor judgement of appropriate actions given the particular scrutiny that Post Office operates under. This has not improved over time despite senior UKGI and DBT staff seeking to assist him with this.
- d. Disregard for due process on governance matters, including most recently announcing a new SID to the Board and seeking to close the ongoing public appointment process, without formal consultation with the Board, following Board processes, or seeking Shareholder approval.
- e. Lack of constructive support to the CEO, who is under considerable pressure.

3. These concerns come before, and aside from, the conclusion of a whistleblowing investigation concerning his conduct (allegations of misogyny and racism). We expect the initial findings of that investigation this week. However, regardless of those findings, the view of the SID, RemCo Chair, UKGI and DBT officials is that we should require him to step down given the concerns set out above.

4. The concerns that have been raised would indicate conduct that is not in keeping with Mr Staunton's obligations under his Letter of Appointment (between POL and Mr Staunton dated September 2022, **LoA**) or POL's Articles of Association (**AoA**) (see Annex A for further detail).

¹ The investigation is due to report in mid-Feb, though the allegations against Mr Staunton are likely to be substantiated or otherwise this week. There is no suggestion that the CEO has behaved improperly in response to the investigation.

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Advice

5. Mr Staunton has been Chair of the Post Office Board for a little over a year, and in that time has not offered the leadership and cultural change that the Post Office needs. There is no evidence that he is making progress towards offering this leadership.

6. We understand (from other Board members and Executive team members) that over the past months his behaviour has become increasingly erratic and disruptive for the business. Following several outbursts in the office and other unfortunate incidents, this has become apparent to the wider Executive Team and is the subject of disquiet amongst an already stressed Executive Team.

7. His repeated attempts to stop the investigation into whistleblowing allegations would be unacceptable in any environment, but is particularly egregious in the context of Post Office and the historic failings of the business.

8. You should note that the recommendation to remove him from his position comes from the SID and the RemCo chair (rather than the full Board). These are two most senior Non-Execs on the Board, and the only other Board members who are party to the whistleblowing allegations against the Chair. As an indication of her strength of feeling, the RemCo chair has said she will be unable to continue on the Post Office Board if the Chair stays in post (the SID is due to step down in June anyway). The full Board has not been party to the Chair's conduct on the whistleblowing cases, nor party to his treatment of the Execs involved.

9. We, officials in UKGI and DBT, agree that the Chair's conduct and approach mean he is not the right person to Chair the Board of the Post Office. The particular context of the Post Office leads us to believe we should act swiftly and decisively.

Contractual position and Legal Risk

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Next Steps

12. Should you agree with the recommendation to require the Chair to step down immediately², you have two options:

- a. Inform him that your decision has been made and offer him the opportunity to resign
- b. Do not offer him the opportunity to resign and remove him from his post.

13. As we discussed with Minister Hollinrake, we recommend allowing him the opportunity to resign. We expect this would generate less external interest in his departure, reduce the likelihood of him commenting on the Post Office publicly and thereby offer a lower-disruption route for the company. The Permanent Secretary has questioned whether, given the seriousness of his behaviours, we should indeed give him this opportunity. If we do not give him the opportunity to resign, then it may be most appropriate for you (Minister Hollinrake) to inform him of the decision directly.

14. Finally, you will need to appoint a replacement for Mr Staunton. Ordinarily, this would fall to the SID, Ben Tidswell. However, Mr Tidswell is a judge on the Competition Appeal Panel and is about to start a large trial, meaning that he does not have capacity to take on the interim Chair role at Post Office. He is also due to step down in June. We would therefore suggest Mr Tidswell acts as a short-term stand in, whilst we appoint an external interim Chair, alongside running a proper (OCPA regulated) process. We will come back to you with advice on this in due course.

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Annex A: Grounds for Termination

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