



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

The logo consists of the letters 'GRO' in a large, bold, black, sans-serif font. The letters are enclosed within a rectangular border made of small, evenly spaced dots.

Henry Staunton
Chairman, Post Office Limited