

**From:** Brooks-White (Jobshare) [GRO]  
**Sent:** Fri 16/06/2023 10:17:43 AM (UTC+01:00)  
**To:** Minister HOLLINRAKE (TRADE) [GRO]  
**Cc:** Perm SEC (TRADE) [GRO]; Bickerton, David (Business Sectors DG Office) [GRO]; Creswell, Carl (Business Sectors - Services Directorate) [GRO]; Stockbridge, Rebecca (BEIS) [GRO]; Mitchell, Katie (BEIS) [GRO]; Baird, Ed (Business Sectors - Services Directorate) [GRO]; Welch, Bryan (Legal) [GRO]  
**Subject:** ToR for the POL Bonus Review  
**Attachment:** Note on draft ToR for review of the governance of decisions on senior remuneration.docx

James, Guy

As discussed last night, you have asked for a note on the Terms of Reference for the POL Bonus Review, and the points that the Minister had previously shared on the Burton report. We considered the Minister's questions when drafting the Terms of Reference (attached), a number of the points are very specific and will be briefed to Simmons and Simmons, rather than being explicitly included within the Terms of Reference. As you know, we are managing the combination of time, cost and scope, and to allow completion and publication before Recess. David has kindly offered to speak with the Minister on the scope if you would find this useful?

#### The Minister's questions:

1. Who rated Nick Read 4+ out of 5, thereby triggering an enhanced bonus, and on what grounds? *We will brief Simmons & Simmons on this question. We know that the decision to rate Nick's overall performance as a 4+ was taken by the POL Chair, who is responsible for the CEO's annual performance review and the marking was endorsed by the RemCo.*
2. AB seems to focus on not obtaining confirmation on the bonus criteria but doesn't appear to question how it was included in the first place? *The focus on the Review will be to look at the mandate that Post Office received from the Department and how this was implemented by POL. We do not recommend that we review the setting of the target itself, given the target was agreed by previous Ministers.*
3. Nick Read's share of the 5% pot should have only been released in proportion to the number of targets hit, was that the case? *We will brief Simmons & Simmons on this question. This was included in feedback to POL on the first draft of the Burton Report.*
4. Clawback provisions included a situation caused by an 'error'. Clearly there was one so why can't we clawback from all, particularly the report states that there was 'clear failing of everyone involved? *We will brief Simmons & Simmons on this question. This was included in feedback to POL on the first draft of the Burton Report.*
5. Was this report revised from the original one referred to by Lorna as unsatisfactory? *Not applicable for the Simmons and Simmons review.*
6. The Postmaster satisfaction metric was also clearly missed, why did this get an Amber/50% rating? *We have asked Simmons and Simmons to focus on the decisions surrounding the key metric. However, we will ask, that if, in their review of relevant documents, and there is evidence of how the Amber/50% rating was arrived at in Annex 5 of the Burton Review, that they also gain*

*an understanding on how this was authorised, if capacity within the contract allows.*

7. How can a rating of Green be given to the Horizon replacement when it is £200m+ over budget and behind schedule? Did we achieve 400 locations by March 2023? *We have asked Simmons and Simmons to focus on the decisions surrounding the key metric. However, we will ask, that if, in their review of relevant documents, how/if this metric was met in 21/22 FY, if capacity within the contract allows.*

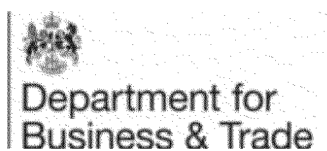
8. Organisation Design - have we now moved to a 'lower cost operating model'? I've seen no evidence of that in cash terms. *We have asked Simmons and Simmons to focus on the decisions surrounding the key metric. However, we will ask, that if, in their review of relevant documents, how/if this metric was met in 21/22 FY, if capacity within the contract allows.*

9. Overall, I think the independent review needs to look at the entire remuneration/incentives approach historically and identify individuals responsible and make recommendations on how we set bonus targets going forward. *A key element of the ToR is to consider Whether the processes to set performance metrics and award bonuses on the basis of those metrics were sufficiently robust and consistent with corporate governance best practice. We therefore expect the review to consider this question.*

#### **Overall update**

In addition, I thought it useful in this email to also cover the second of our bi-weekly updates to the Minister on the review. Our focus this week has been on-boarding Simmons and Simmons, following receiving their proposal on Wednesday. We have continued with the contracting elements, and have also been briefing them further, David Bickerton briefed the lead partner yesterday afternoon, and we also have a further briefing this afternoon. We have been working with POL and UKGI to secure relevant documents, and to set up interviews with key personnel for the second week of the review. Simmons and Simmons are due to begin their work on Monday. With 3 week-long sprints, we will move to a pattern next week of twice weekly briefings to review progress and provide steers – we will provide this update following those meetings going forward.

Kind regards  
Beth



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