



Department for Business & Trade

Rt Hon Jonathan Reynolds MP
Secretary of State

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

Nigel Railton
Chair
Post Office Limited
100 Wood Street, London, EC2V 7ER

By email: **GRO**

04 September 2024

Dear Nigel,

Strategic Priorities for 2024/25

I was pleased to speak to you in July to discuss your reflections and priorities for Post Office. As you know, the Government is committed to finding ways to strengthen the Post Office network and ensuring compensation is delivered swiftly for postmasters impacted by the Horizon IT scandal. I look forward to working with you on these issues to deliver for all those affected.

When we spoke, we discussed the next steps that we may wish to take and agreed to meet again in the coming months. With that in mind, I would like to take this opportunity to set out the Shareholder's objectives for you, as Chair of the Board of Post Office Limited ("POL", or "the Company"), and the topics on which we would like to see progress over the financial year.

These objectives cover priority areas for positive change at POL. This is, of course, a challenging time for the Company, as it seeks to fix the issues of the past and transform its business for the future. These objectives will stand alongside your responsibilities as Chair set out in your appointment letter, the standard Governance Expectations of the Chair at Annex A, and the Principles of Public Life at Annex B.

POL will need to deliver on its commitment to address its historic failures and provide redress to postmasters. With Phase 7 of the Horizon IT Inquiry due to begin in September, and the Inquiry expected to conclude oral hearings later in 2024, it is also evident that the level of scrutiny facing POL will remain considerable. The Company will need to perform under significant pressure. You should ensure that you provide the necessary support and challenge to the Chief Executive and Strategic Executive Group (SEG), as they lead the company.

In this capacity, your objectives include:

1. **Intensifying existing workstreams to address POL's historic failures and setting the business up for future success.** You will need to:
 - Enable, wherever possible, swifter redress for claimants, both through the Post Office-administered schemes and the HMG-administered schemes.
 - Participate openly and constructively with the Post Office Horizon IT Inquiry, engaging on a timely basis and in a demonstrably open, transparent, and efficient manner.
 - Continue to demonstrate, with external assurance where appropriate, the Company's conformance to the Common Issues Judgment and Horizon Issues Judgment rulings.
 - Ensure that lessons from the Company's past failures are incorporated into the successful delivery of the Strategic Platform Modernisation Programme (SPMP), in terms of both the development of the technology and the rollout to postmasters.

2. Supporting the cultural transformation of the Company and focusing on improving on POL's capacity, capability, and resilience at all levels. You will need to:

- Engage with postmasters, trade unions, other key stakeholders, and the public, giving particular consideration to how you communicate your strategy for the future of POL and the Post Office network.
- Assess the strength and skillset of the executive and Board and identify opportunities for efficiency and productivity gains, making changes where necessary.
- Support and challenge the Chief Executive's efforts to improve the expertise and resilience of the organisation, particularly at the level of the Strategic Executive and Senior Leadership levels.
- Update the Shareholder on how cultural transformation is being established.
- While your tenure is interim, make progress towards longer-term goals, including:
 - Delivering a diverse Board (one member from an ethnic minority by end 2024 and 40% female by end 2025).
 - Ensuring governance arrangements address emerging cyber-security risks.

3. Enabling the future success of POL, including effective financial management and performance to ensure medium-term viability. You will need to:

- Continue to oversee the Strategic Review of POL and provide Ministers with your conclusions. To ensure the work covers all the key areas of interest to HMG, we would request that you ensure the approach and objectives are aligned with DBT's priorities.
- In view of the Strategic Review, give consideration to how the Board can support POL to develop transformation plans that strengthen the network. These plans should focus on ensuring the sustainability of postmasters' incomes and the provision of new products, services, and business models that will help reinvigorate the high street.
- Assist the Shareholder with the ongoing review of POL's Framework Document.
- Ensure effective financial management and performance against the Business Plan.
- Maintain stringent cost control and a focus on value for money and efficient delivery across the cost base, including the programme of work to replace the Horizon IT system and IT projects, legal costs, acceleration of the network strategy, of the approach to directly-managed branches, and measures aimed at reducing central costs.
- Ensure robust monitoring of financial performance, including investment spending and liquidity monitoring, maintaining early and transparent flagging of risks to the Shareholder and making progress on the establishment of rolling 3–5-year forecasts.
- Ensure delivery of IT projects crucial to POL's operations, specifically the programme of work to replace the Horizon IT system.

I would be grateful if you could keep myself and Minister Thomas updated on your progress. You will also need to provide a written report in advance of each Quarterly Shareholder Meeting (QSM) with an update on your progress against the above priorities and including commentary on key personnel risks at the Board and executive level.

As you know, the Post Office is a national institution with a unique heritage. Postmasters are central to communities up and down the country. The challenges ahead for POL are considerable but not insurmountable. As interim Chair, you will need to rise to meet them. I am grateful for your act of service in taking up this role.

Yours sincerely,

GRO

Rt Hon Jonathan Reynolds MP
Secretary of State, Department for Business and Trade

Annex A: Governance Expectations of the Chair

This letter, issued 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 accompanied by a letter, tailored to the needs of Post Office Limited ("POL"), outlining the specific priorities and expectations of both the Department for Business and Trade ("DBT") and UKGI, acting as shareholder representative. 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 representative 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, Terms of Reference, *Managing Public Money*, and the UK Corporate Governance Code. The Chair should set the tone from the top of 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 POL's governing documentation:

Set the Board's agenda

You should set 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 POL's strategy and any policies as set by DBT. In addition, the Board's agenda should interrogate 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. 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

The 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. Reviews should produce a written report. 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.

For additional best practice guidance regarding the role of the Chair, see the "Guidance on Board Effectiveness" published by the Financial Reporting Council. This can be found [here](#).

Annex B: The Seven Principles of Public Life (“Nolan Principles”)

The Seven Principles of Public Life

The Seven Principles of Public Life (also known as the Nolan Principles) apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the Civil Service, local government, the police, courts and probation services, non-departmental public bodies (NDPBs), and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also apply to all those in other sectors delivering public services.

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.