



16 August 2023

Darren Jones MP  
Chair, Business and Trade Committee  
House of Commons  
LONDON  
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Dear Mr Jones

Thank you for your letter of 28<sup>th</sup> June further to Post Office Board members appearing before the Business and Trade Committee on 20<sup>th</sup> June. I apologise for the delay in sending you a reply. However, we were keen to see the outcome of the Department's own review into these matters prior to writing so that we might assess and incorporate its findings into our own thinking. While that exercise had been expected to conclude ahead of Recess it has however only been published today, enabling us to reply now.

Before answering the questions in your letter, I acknowledge that DBT's Report (the Report) identifies some significant areas of weaknesses in the governance arrangements for, and support to, the Post Office's Remuneration Committee (Remco). We take these findings extremely seriously and I have written to the Post Office Board recommending that it accepts each of the recommendations in the Report in full when it meets tomorrow.

However, I think it is also important to note that the Report makes it clear that Post Office co-operated with the Report's authors in an entirely candid and constructive fashion. It goes onto find that there was, and is, no basis whatever to support suggestions of impropriety.

Turning now to your questions:

#### ***Further repayment of bonus***

You asked that consideration be given as to whether those in receipt of a payment under the terms of the Transformation Incentive Scheme should return the proportion of the payment attributable to the Inquiry metric as a whole rather than the specific sub-metric on Inquiry support alone.

In the event, the Report finds that there was a justifiable basis for the award to be made against the Inquiry metric as a whole, including the specific sub-metric on Inquiry Support. However, in recognition of the mistakes at the Post Office and the Department which led to its misreporting in the ARA, it was appropriate the Post Office apologise and that current employees in receipt of a payment against that sub-metric should choose to return it voluntarily, which they have.

The Post Office does not therefore intend to seek further repayment of bonus.

### ***Clarification of the sum total of bonuses returned by employees***

Of the 33 current employees of the Post Office who received a payment under this sub-metric, all 33 are voluntarily repaying the appropriate sum. This includes the two Executive Directors, eligible members of the Group Executive and senior leadership populations. The total sum being returned by those employees stands at £64,252.

### ***Clarification on the Deloitte audit process and involvement in the sign-off of the bonus metrics***

As Amanda Burton indicated during the evidence session, we wish to clarify the role of Deloitte in relation to the Transformation Incentive Scheme, of which the sub-metric at issue formed a discrete part.

Deloitte act as a co-source internal auditor, working alongside Post Office's in-house audit function. Remco asked Post Office's in-house audit function to assess evidence which underpinned some of the metrics forming part of the Transformation Incentive Scheme. As co-source internal auditor, Deloitte completed this work. The scope of that work did not, however, include the sub-metric relating to Inquiry support, the sub-metric at issue.

As we made clear during the evidence session and again above, it was and remains Remco which assesses whether metrics have or have not been met and which takes decisions on remuneration. Neither Post Office's in-house audit function, nor Deloitte as co-source internal auditor, provided sign-off of this or any other metric making up the Transformation Incentive Scheme.

### ***Clarification on who owned the Inquiry metric***

Post Office considers that the 'ownership' of all bonus-related metrics in the 2021-22 Annual Report and Accounts (ARA) rests with the Remuneration Committee, rather than any individual, since Remco is accountable for their design, evaluation and, ultimately, for any decisions to make or withhold payments.

Individuals identified as 'metric owners' in documentation used by Remco perform an administrative function on its behalf, acting as a point of contact to the specific work area in scope of a given metric. This includes responding to requests for information from Remco Members, ensuring appropriate paperwork is carried through the various stages of Remco processes, and helping the preparation of papers for consideration by Remco. Those individuals do not exercise any control over the metric or performance against its criteria. Moreover, they do not have any decision-making for evaluation.

Since these individuals did not have any level of control over the sub-metric, we consider that disclosure of this information would be misleading. In addition, identifying these individuals with ownership of the sub-metric would incorrectly and unfairly impute to them a level of responsibility that they did not hold. It follows that we do not propose to provide the Committee with names. Post Office has received requests for the same information under the terms of the Freedom of Information Act and has replied in a similar vein, citing the exemption from the duty to disclose at s40 of that Act.

### ***What actions the Post Office has taken to improve corporate governance, including seeking the input of the Financial Reporting Council (FRC)***

As I indicated above, we had hoped that the Department's own further Review of the matters considered by the Committee and, previously, by Amanda Burton might be completed in time for Recess. The Report published today makes a number of recommendations to improve corporate governance, as we expected it would, and these will now be taken forward together with those made by Ms Burton.

We are happy to discuss the conclusions we draw from both exercises with the Financial Reporting Council as you have suggested and we will write again to the Committee at that point.

### *Committee's offer of help in relation to potential appellants*

We are extremely grateful to the Member for Loughborough, Jane Hunt MP, and the Committee as a whole, for the offer of help in our efforts to reach other potential appellants.

Anyone wishing to appeal convictions resulting from prosecutions brought by Post Office in the years following the introduction of Horizon should be encouraged to do so, but we fully understand that some may be hesitant to respond to calls from today's Post Office in this regard.

That is why we have been working with the Criminal Cases Review Commission and Citizen's Advice for some time to try to provide a further measure of independent reassurance. The Committee's assistance in these efforts will be invaluable and I confirm that we are liaising with the Clerk as to how we might take the Committee's initiative forward to best effect.

Yours sincerely

**Henry Staunton**  
Chairman, Post Office Limited