

Witness Name: David Mills

Statement No.: WITN10950100

Dated: 8 March 2024

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF DAVID MILLS

I, David Mills, will say as follows:

INTRODUCTION

1. This witness statement is made to assist the Post Office Horizon IT Inquiry (the “**Inquiry**”) with the matters set out in the Rule 9 Request to me dated 4 January 2024 (the “**Request**”).
2. I held the position of Chief Executive of the Post Office from 15 April 2002 until 31 December 2005.

3. I was assisted in drafting this statement by my legal representatives at Cohen & Gresser LLP.

MY BACKGROUND

4. Before I joined Post Office Limited (“**POL**”) in 2002, I had spent my whole career in banking – specifically, at Midland Bank, which became part of HSBC in 1992. I started work at Midland Bank in 1962 as a bank clerk, and ultimately worked my way through the ranks to become General Manager Personal Banking at HSBC UK in 1999 and a member of HSBC’s international executive. All told, I was at Midland Bank and HSBC in various roles for forty years.
5. While at Midland Bank, I became a Fellow of the Institute of Financial Services, and later attended London Business School, where I became a Sloan Fellow with distinction.
6. Throughout my career I also held external non-executive board roles, including Chairman of Mondex International (which comprised 21 global banks and developed a chip card that subsequently became the basis for Mastercard’s chip card offering) from 1996 to 2001, as director and subsequently Chairman of Mastercard Europay UK Limited from 1990 to 1994, and as a director of Camelot, the national lottery, between 2003 and 2005.
7. I was a director and later Chairman of the Employers’ Forum on Disability Ltd from 1993 to 2007, a Trustee of the Royal Association for Disability Rights (RADAR) from

2004 to 2009, and Vice-President of Vitalise (now known as Revitalise) from 2005 to 2012. I am pleased with my work over the years advocating for people with disabilities.

8. In early 2002 I was approached by executive search professionals who were recruiting for the role of Chief Executive of POL. By that time, I was well-known for my work with Midland Bank, HSBC and First Direct. I had two interviews with Post Office and Royal Mail personnel – Allan Leighton, then Chairman of what is now Royal Mail Group Limited (“**RMG**”), and John Roberts, then Chief Executive of RMG. I was offered the position shortly after those interviews, and was pleased to accept it. I was the Chief Executive of the Post Office from 15 April 2002 to 31 December 2005.

MY TIME AT THE POST OFFICE

9. When I joined POL, it was technically insolvent. In the financial year ending 30 March 2003, POL made an operating loss of £369 million. As at that date, the company had net liabilities of £936 million. It was entirely dependent on financial support from its parent company, RMG, and ultimately from the UK government.
10. In order to maintain its government financial support, POL was required to formulate, present, agree with the UK government, and stick to, a business plan which would ensure the transition of POL into an entity which was commercially viable in its own right. This was made very clear by Patricia Hewitt MP (then-Secretary of State for

Trade and Industry) on behalf of the government in writing to Mr Leighton and communicated by him to me.

11. POL had considerable resources at its disposal, including the largest retail branch network in Europe (with circa 17,500 Post Office branches); huge regular customer footfall (with 28 million customers making 45 million visits per week); and a brand with an enormous amount of trust and importance placed on it by people across the country. During my tenure, almost a quarter of cash changing hands in the UK was going through our branches. In addition, it was lucky to have loyal and motivated staff running its outlets. My job was to work with and supplement these resources, among many others, and create a profitable business.

12. As well as the overriding objective to make the company profitable, I was also conscious of my other obligations as Chief Executive and as a director of POL. Although directors' duties had not yet been codified by the Companies Act 2006, I was throughout conscious of my duty as a director to ensure that the company was run in an honest, effective, and ethical manner. I understood that I had a fiduciary responsibility as a director, and that I was required by law to use my directors' powers to act in the best interests of the company, rather than for any improper purpose. Further, I understood that my duties were not only owed to existing shareholders, but also to the wider organisation, including POL's employees, and to ensure it had a viable future.

13. In addition, as the company (and group) was then solely owned by the state, I considered the imperative to make the company profitable even more pressing. The state ownership of the company also meant that executives at the company were taking instructions from members of the government. Direct government instructions during my time at POL included setting strategic plan objectives for the business centred around reducing overheads and ensuring commercial viability across the network, and aligning directors' compensation with the delivery of the strategic plan. It was clear that not following instructions from the government could put one's position at POL at risk.
14. When I joined POL, I was barely briefed on anything, by anyone. Even the building security team was not expecting me on my first day – I arrived to an empty open-plan office, and began work. I expected a full induction programme and/or a handover document with a comprehensive list of current risks and issues (as presently expected within the Financial Conduct Authority's Senior Managers and Certification Regime), but this was not forthcoming.
15. My initial priority when I started at POL, after gaining an understanding of the business, was to formulate a strategic plan.
16. I was aware at all times of the imperative to make POL profitable. This was made clear to me at the start of my tenure, both by way of a letter from Mr Leighton (Chairman of RMG) to whom I reported and from various sources internally. Later

in my tenure I became conscious that there was a drive to privatise RMG, and that POL's astonishing losses were a significant barrier to that objective.

17. Throughout my time as Chief Executive I reported intermittently to HM Treasury. In my first four months in the job, I met with Ms Shriti Vadera (now Baroness Vadera), who was an economic adviser to HM Treasury at that time. Ms Vadera was impatient to see a new strategic plan for the business, which I was unable to construct as quickly as she required. It was not until I understood this huge and complex loss-making business, that no one had been able to make profitable, that I felt confident enough to create a plan to profitability.
18. As POL became more successful and profitable throughout my tenure, the pressure from HM Treasury waned.
19. Over my tenure, to my recollection I had six to eight meetings with other government officials, who were from HM Treasury and the Department of Trade and Industry (the "DTI"). During those meetings, we discussed issues of the day and the financial progress of POL. In March 2005, for example, we held a stakeholder offsite meeting with HM Treasury, the DTI, PostComm and PostWatch (see POL00021487).
20. Also, from time to time, I met with a special advisor from the office of the Prime Minister, Geoffrey Norris, and some ministers, for example Alan Johnson at the suggestion of John Roberts.

21. At the beginning of my tenure, POL did not hold regular board meetings. The only directorship roles that existed at that time were Chief Executive, Chairman, Executive Director of Operations and Finance Director. Building a proper board structure was a high priority and an area of keen focus for me. I introduced directorship roles for IT, sales and marketing, and HR. These roles were filled in September 2002 by individuals within POL who I considered fit for directorship, except for the sales and marketing role, which was filled by Gordon Steele, who was recruited from outside POL.
22. Once I had put together the group of executive directors at POL who would report directly to me, I set up one-on-one meetings with each of them, which were initially weekly and latterly monthly. In each of those meetings I would start by asking them four questions: What are your top three priorities? What are your top three problems? Who are your top three people? And who are your bottom three people? This allowed me to review their priorities (and to redirect them if necessary), to assist as best I could with their problems, and to consider what we needed to do about their best and worst people.
23. The people I met with included each of the executive directors of POL, namely: David Miller, Executive Director of Operations; John Main, HR Director (and later Ian Anderson, his successor); Alan Barrie, Information Technology Director (and later Ric Francis, his successor); Gordon Steele, Sales and Marketing Director; Peter Corbett, Finance Director; and Graham Halliday, Executive Director of

Banking & Financial Services. I also met regularly with Byron Roberts, who was in charge of cash handling and distribution (and subsequently became Programme Director of Crown Office Strategy).

24. From around September 2002 until the end of that year, I met with each of the executive directors weekly. Thereafter, the meetings occurred on a monthly basis until I left POL in 2006. At no time in any of those meetings did anyone raise an issue of Horizon being claimed to be causing shortfalls in post office accounts, or any link between Horizon and the investigation and prosecution of sub-postmasters (“**SPMs**”).
25. Focusing upon the Horizon IT system, I knew and had been told very little about the Horizon IT system at the time of joining. I knew that the system was delivered quite some time before my arrival and that it was a complex system, which had been originally developed for the Benefits Agency and subsequently made to ‘fit’ a comprehensive back-office automation of the branch network. Upon commencing employment as Chief Executive I received no overview, briefing, or any training regarding the system. I was not aware of any bugs, errors, or defects in Horizon, or related complaints.
26. For the first six months of my tenure, I visited SPMs in their branches approximately once a week. I wanted to introduce myself to the network as the new Chief Executive, and the Post Office would encourage local press and councillors to attend my visits. As well as raising the profile of the new Post Office (as I hoped and

intended it would be), I wanted to gain a first-hand understanding from the SPMs of how their businesses were working on a day-to-day basis, and how we could improve upon them.

27. The executive team and I continued to meet with SPMs throughout my tenure. In 2005 for example, the executive team between them attended over 500 events communicating face-to-face to 1,800 managers and colleagues, and 15,000 SPMs (see POL00021487). In April 2005 we also held an offsite with the National Federation of SubPostmasters (the “**NFSP**”), which included POL’s Executive Committee and NFSP executives, and made a detailed presentation to the NFSP annual conference (see POL00021487).
28. Whilst I was under pressure both internally and externally to devise a business plan for POL, it took 6 months of focused effort to understand the business of POL and to devise a deliverable plan which would eliminate losses and turn it into profit.
29. Throughout my tenure, I scheduled monthly meetings with Mr Leighton, Chairman of RMG (POL’s then parent company), who also in the early days of my tenure attended POL board meetings.
30. In those meetings I reported to Mr Leighton on essential updates and developments occurring within POL and progress upon the Secretary of State’s directives. They followed a structure similar to my meetings with the POL directors: top three priorities, top three problems, top three people, and bottom three people. Each

meeting was documented on agenda sheets, outlining action items to be taken thereafter and by whom. I brought the practice of using agenda sheets into POL as part of my ongoing efforts to instil organisation and accountability, having successfully used them during my tenure in senior management at Midland Bank/HSBC.

31. Whilst POL in 2002 had the largest retail network in Europe, more branches than the biggest UK banks and building societies combined, and some 45 million customer visits to branches per week, it had no profitable products. It largely provided services in respect of loss-making government distressed purchases such as passports and driving licences and Royal Mail items such as letters or parcels, which produced little by way of profitable return. POL didn't have any commercially desirable products of its own.
32. I came to understand, during my assessment of the potential for turning the business around, that the way to make POL profitable was to sell POL products to its existing customer base. Visitors to the Post Office were so many in number that even a product with a very small margin, if well-designed and useful enough, and marketed properly, could turn around the business. I therefore set about trying to improve POL's product range.
33. Because the business of POL was evolving throughout my time as Chief Executive, I was very conscious of the importance of keeping staff, and particularly SPMs, abreast of new product lines and other developments in the business. They were

our front line, and I wanted to make sure that they had the knowledge and tools that they needed to sell our products effectively.

34. Accordingly, throughout my tenure as Chief Executive, I regularly spent time travelling the country and presenting to SPMs. Those presentations would be focused on the new products we were asking them to sell, and what was in it for them, as well as updating them on the overall state of the business.
35. My responsibilities at POL were wide-ranging, and the workload was heavy. I would start work at 6:30am with an hour of reading whilst travelling to the office. I was in the office at 7.30am and would not leave until 6.30pm (often attending business dinners in addition). I was committed to making POL a success.
36. Under my stewardship, the Post Office became a hub for banking services for every retail bank. I fostered an arrangement whereby customers of any high street bank could withdraw cash, cash cheques and also pay into their own accounts. POL took a fee from the banks for such transactions. The conversations and negotiations leading to these deals with banks relied heavily on my ability to speak to people at the right level, and being able to understand the intricacies of each necessary agreement, in respect of every bank we connected with. While banks were closing branches and removing ATMs, the Post Office remained on every high street as a point of access for banking customers of all stripes. This was to become a key part of its business going forward.

37. We also introduced banking services in the name of the Post Office itself. For instance, we introduced a basic bank account with limited functions which was intended to be sold to those who were previously unbanked.
38. Whilst successful in their own right, I understood that the individual agreements with high street banks and the provision of cash withdrawal services alone were not enough to turn the business around. In order to further build these products, I decided to search for a bank whose product and administration facilities were good enough for the Post Office to use. I approached most of the UK clearing banks and eventually negotiated and spearheaded a deal with the Bank of Ireland (the "**Bol**"), whereby the Post Office would sell Bol products in branches, under Post Office branding. This was a deal that I led personally and accomplishing the final agreement took a great deal of time and energy. My long history in banking allowed POL to be taken seriously by those senior officers who were responsible for delivering the deal within Bol. This agreement in turn gave Bol access to POL's incredible network coverage and footfall. This project was an intense focus for me in my time at POL.
39. Having secured the agreement with Bol, they paid the Post Office £125 million for access to the branch network. The products available as a result of the agreement included a wide range of things, such as personal loans and foreign money. The Bol deal was a huge injection of cash to POL, which was critically needed. The deal was announced in October 2003, and went into operation at the start of 2004.

40. Much of our product strategy was focused on providing simple ways through important matters. For instance, the Post Office's passport checking service is valuable to consumers because it provides an easy and reliable way to renew a passport. It also gave post offices the ideal opportunity to sell foreign exchange, which became one of the most profitable product lines in the business. By the time I left POL, the Post Office was the largest foreign exchange distributor and dealer in the UK.
41. During my tenure we also had franchise discussions with Tesco, Sainbury's, Marks & Spencer, Budgens, Somerfield, WHSmith, Woolworths, and Wilkinsons (see POL00021487).
42. I have been asked whether I personally reported to the Department of Trade and Industry. I did not. This was a role fulfilled by Mr Miller and Ms Sue Huggins (who was in charge of the program to close 2,500 Post Office branches) at the operational level, and Sir Michael Hodgkinson and Mr Leighton at board level.
43. Because the DTI was not exercising its oversight through me, it is difficult for me to say whether its oversight was adequate.
44. I reported to Mr Leighton at RMG throughout my tenure, but was required to report to HM Treasury less frequently as the business became profitable.

POL'S RELATIONSHIP WITH RMG AND THE WIDER GROUP

45. As well as being Chief Executive of POL, I also took on the following roles in the RMG group:

- a. Director, Royal Mail Group plc
- b. Director, Royal Mail Holdings plc
- c. Director, Royal Mail Enterprises Limited
- d. Chairman, Post Office Financial Services Limited
- e. Director, Camelot Group plc
- f. Director, Camelot International Services Limited
- g. Chairman, First Rate Travel Services Limited
- h. Director, First Rate Travel Services Holdings Limited
- i. Director, Postal Heritage Services Limited
- j. Director, Postal Heritage Trust; and
- k. Director, Postal Heritage Collection Trust.

46. When I joined POL, it was a subsidiary of RMG, which was in turn a subsidiary of Royal Mail Holdings plc ("**RM Holdings**"), which was wholly owned by the state.

47. This corporate structure did not change throughout my time at POL.

48. As I say above, during my tenure POL operated as a subsidiary organisation to RMG. Many decisions affecting POL were made by RMG. Especially when I joined but throughout my tenure, I felt that the exact relationship between POL and RMG was unclear. This made it difficult for me to manage POL. For example, with hindsight, the legal function should have been reporting to me on matters related to POL, so that I could exercise oversight over it. It was not, as I explain below.
49. When I joined POL, I was the only representative from POL on the board of RMG. After we appointed a POL Chairman, he too joined the RMG board.
50. As I note above, I reported to Mr Leighton throughout my tenure at POL. After Sir Michael Hodgkinson, who was the senior independent director at RMG, was appointed as Chairman of POL, he also reported to Mr Leighton. Sir Michael Hodgkinson and I would meet with Mr Leighton separately.
51. I believe that it is important to differentiate between matters relating to POL and those relating to RMG. An example of this importance and now one of significance was that departments such as Legal and helpdesks/call centres reported to individuals in RMG rather than POL.

THE POL BOARD

52. As I note above, when I joined POL, there were irregular board meetings. On arrival at POL, the board was therefore not exercising proper or effective oversight of any function.

53. I therefore instituted a program to ensure that the board met formally bi-monthly, with formal executive meetings on the intervening months. Further, every Monday morning at 9am, there was a meeting called of all the directors during which they were expected to provide individual reports on what had happened since the last meeting and what was on their agenda for the coming week.
54. In general, POL behaved (at that time especially, but throughout my tenure) as the board of a subsidiary organisation, with RMG as the dominant entity.
55. An illustrative example of this was when I wanted to introduce personal loans as a POL product. I advised the RMG board, and a director who held a senior role at a big American bank was averse to my proposal. His resistance held a great deal of sway with the RMG board, and almost resulted in the activity being rejected. Personal loans eventually ended up being a highly profitable product for POL and the SPMs.
56. As above, I instituted bi-monthly board meetings, and more often when business need demanded it. All executive directors attended, together with the Company Secretary, who was also Company Secretary to RMG, and all relevant senior staff as needed subject to the agenda. Later, the Chairman and non-executive director would also attend.

57. The agenda for board meetings was determined by Mr Jonathan Evans acting as Company Secretary, which would be shown to me for my agreement. At the board meetings, we would review and consider documents including:
- a. The minutes of the previous board meeting;
 - b. The status report of the previous board meeting, which would be put together after meetings by the Company Secretary, Mr Evans, to track the actions agreed at each meeting and who was responsible for each (an example is at POL00095503);
 - c. Functional Reports on finance, operations, sales & marketing; and
 - d. Business plans and presentations on matters such as the provision of new products.
58. The POL board was involving, straightforward and accountable. At POL board meetings, I actively sought reports and contributions from every attendee. My view was that they were not attending for the sake of it – they were there to report to me and to the wider POL board on developments and issues in their area of authority. In addition to each executive director reporting upon his activity, there was a concentration among the board upon the financial progress of the company.

59. The POL board operated collegiately with the RMG board: they were not competitive, and they tried to help each other. Notwithstanding this, generally RMG had the final say.
60. I was not on any sub-committees of the POL board and I do not recall any board sub-committees other than the Risk and Compliance Committee, which was chaired by the POL Chairman, Sir Michael Hodgkinson. Beyond this, I do not recall the background to its creation or its remit.
61. I do not recall the membership or terms of reference of any other POL board sub-committees.
62. The POL board underwent a change in structure in May 2003 with the appointment of Sir Michael Hodgkinson as Chairman, and again in February 2005 with the appointment of Alan Cook as non-executive director. I recall having one discussion with Mr Leighton concerning the suitability of Mr Cook as a non-executive director. I was not involved in any discussions concerning the appointment of Sir Michael Hodgkinson. I believe that their appointments were considered necessary by Mr Leighton because he had been instructed by Ms P Hewitt at the DTI to make them.
63. The level of technical IT expertise of most members of the POL board was not high. However, the IT Director (Alan Barrie and later Ric Francis) would of course have been expected to aid the board with their expertise, as needed.

64. If any of the executive management team did not attend board meetings, their reporting activity would be delegated to a deputy.
65. I have been asked to address my view of the responsibilities of the board of directors in respect of oversight of particular company issues. My views on the POL board, and its oversight of POL matters specifically, are as follows:
- a. Oversight of criminal prosecutions in the name of the company. It is unusual for a company to be directly involved in criminal prosecutions. Throughout my career I had no experience of any company for whom I worked bringing prosecutions in their own right. In so far as I had gained any awareness of corporate involvement in prosecutions it was confined to knowing that, for instance, a bank would work closely with law enforcement agencies as and when requested and required. Dealing with my time at POL, I would have expected prosecution decisions to be overseen and taken by the legal department, with the board having close and regular oversight through the Audit Committee of any unusual matters or significant issues escalated by legal team leaders. If matters relating to criminal prosecutions in the name of POL had been escalated to the POL board, we would have paid them close attention. Such matters never reached the POL board or the RMG board, so far as I am aware.

- b. Oversight of civil litigation brought by or against the company. In a company the size of POL, I would have expected oversight to be delegated to an executive such as Mr Evans, the Company Secretary, with responsibility to report to the board as appropriate. So far as I am aware, matters of civil litigation never reached the POL board or the RMG board.
- c. Oversight of the company's IT. The IT function of the company should report to a director, who reports regularly to the Chief Executive and thence to the board, particularly on any key issues. This was why I introduced the role of IT Director at the POL board level.
- d. Oversight of any accounting system the company used to collate individual transactions, cash and stock declarations etc used for the purposes of preparing management and statutory accounts. This matter should be the responsibility of the Finance Director, supported by the IT Director, with support and verification by independent external auditors.
- e. Oversight of the company's compliance with the Race Relations Act 1978. All directors should ensure that the company acts within the law of the land.

THE RMG BOARD

66. The RMG board met monthly throughout my time at POL. I believe the agenda was determined by the Chairman, Mr Leighton, and the Company Secretary, Mr Evans.
67. RMG board meetings were attended by all directors and the Company Secretary, and in addition were frequently attended by up to six selected RMG executives. As with the POL board, the leadership style of the RMG was collegiate.
68. My limited recollection of the board's sub-committees comprises the Audit Committee, the Remunerations Committee and, I think, a Risk and Compliance Committee. I was not on any of these committees, nor do I know their membership or terms of reference.
69. To my recollection, reports that would be regularly submitted to RMG board meetings included the RMG CEO's report, trading statements, capital expenditure requests and regulatory updates.
70. I do not know the level of IT expertise of those who attended the RMG board.

LEGAL DEPARTMENT

71. To the best of my recollection and understanding, the legal department that dealt with all civil and criminal legal matters associated with POL or RMG was run by RMG. In any event, the legal department did not report to me.

72. I recall that heading the legal department was Catherine Churchard. It was my understanding at the time that Ms Churchard acted in a capacity similar to that of general counsel to RMG. My recollection is that Ms Churchard was employed by RMG and reported to Mr Evans. Mr Evans was Company Secretary of both POL and RMG, but *de facto* reported to Mr Leighton - he did not report to me.
73. Although matters related to Legal were not regular agenda items at POL board meetings, they would be discussed if required. To my recollection, the POL board did not discuss matters relating to fraud or errors in Horizon's accounting system. I do not recall any specific legal matters being discussed in POL board meetings.
74. I was not involved in oversight of the legal department.

INVESTIGATIONS DEPARTMENT

75. My recollection of the investigations department was that it was primarily the remit of RMG, and that the investigations team (who were employed by RMG) reported to someone in RMG. They did not report to me.
76. As with legal matters, investigations matters were not typical agenda items at POL board meetings. Should any concerns over these matters have risen to POL director level, I would have expected them to have been reported to me by either Mr Corbett, who was Finance Director, or by Mr Miller, who was COO. In this connection, my oversight of POL investigations was limited by communication of any issues by the executive directors to me. To my recollection, no concerns were ever raised.

77. I was not involved in oversight of the RMG investigations department.

SECURITY DEPARTMENT

78. My understanding of the security function of RMG and POL was that it was responsible for overseeing the physical security of post offices and monitoring the criminal misuse of the postal system. As with legal and investigations, security was not a typical board meeting agenda item, and therefore my oversight of it was reliant on the reporting of issues to me.

79. The POL security team was headed by Tony Marsh. Mr Marsh did not report directly or indirectly to me in POL (although, as shown in the minutes of the POL board meeting of 20 August 2003 (POL00021483), Mr Marsh did, on at least one occasion, report to the POL board on matters of security at a high level).

80. I have been asked whether in the meeting of 20 August 2003 the POL board discussed the prosecution of SPMs for theft or false accounting arising from alleged shortfalls in branch accounts. To the best of my recollection, we did not. Accordingly, we did not consider the reliability of Horizon data in that meeting.

81. I had a very limited professional relationship with Mr Marsh. I do not know who Mr Marsh would report to on matters of security but my limited recollection is that the reporting line was to RMG, not POL.

INVESTIGATIONS, PROSECUTIONS, AND CIVIL ACTIONS AGAINST SPMS

82. As the legal and investigations teams at POL did not report to me, I did not have any oversight of (i) the investigation and prosecution of SPMs for theft, fraud and false accounting for alleged shortfalls in branch accounts, or (ii) the pursuit of SPMs for the recovery of alleged shortfalls in branch accounts, including through the use of civil proceedings.
83. While I was not specifically aware of prosecutions or civil proceedings undertaken by POL against SPMs, it is important to reiterate that POL comprised 65,000 people across 17,500 branches, and I would therefore have expected there to be at least some level of legal activity in connection with SPMs. My expectation as Chief Executive was that anything particularly unusual or concerning in nature would rise to the board through either the Audit Committee or the Risk and Compliance Committee. I would not have expected the board to have had oversight of every legal action taken. However, no such matters arose, and therefore I was not aware of any details regarding investigations, prosecutions and civil actions against SPMs.
84. I was not (and even now am not) aware of any of the following:
- a. The policies, guidelines and practices followed by POL or RMG when pursuing a civil action against an SPM;
 - b. The conduct of audits of SPMs' branch accounts;
 - c. The practices and policies POL adopted in respect of suspending or terminating SPMs' contracts; or

- d. The policies, guidelines and practices adopted by POL or RMG in investigating alleged offences and bringing criminal prosecutions, including the process of disclosing documents.

85. Even with hindsight and the general knowledge acquired from the many media reports of recent times, I am unable to assist on the propriety of POL's approach to prosecutions and the disclosure of information to SPMs convicted on the basis of Horizon data. I simply do not have enough knowledge of those processes to comment.

IT DEPARTMENT

86. When I joined POL, Mr Alan Barrie was the IT Director of POL. He left his role around the end of 2003, and was replaced by Mr Ric Francis, who I recruited.

87. As Chief Executive, the POL IT Director reported to me. Issues with Horizon and Fujitsu should therefore have been, and I would have expected them to be, reported to me. Along with other members of the POL Board, I was unable to exercise the oversight I would have liked of those issues because they were not reported up to me.

88. I was not involved in oversight of the RMG IT department, except as a director of RMG.

THE HORIZON IT SYSTEM

89. My involvement with Horizon was very limited. The little I understand of it is set out herein.
90. Horizon was a system that was built to deliver state benefits via the Post Office. When the Benefits Agency decided not to use the system any longer in the spring of 1999, it was repurposed as a way to automate the entire back office of the branch network.
91. With hindsight, Horizon should not have been repurposed in that way. It has become evident that it was not fit for purpose. It should have been written off, and a different approach adopted.
92. When I took up my role at POL in 2002, the system was there, tested, accepted, and had been operating for some years. Horizon had already been implemented in totality.
93. As I set out above, I was not given any briefing or training on Horizon when I joined POL. Originally, I increased my knowledge of Horizon by discussing its efficacy with users. When I visited the SPMs in their branches during the first six months of my tenure, I tried to understand how practical and easy Horizon was to use. Some SPMs were pleased with the system, which improved their daily lives, however others found weekly balancing more difficult and time consuming. I thought that more training was required, which was implemented, and I simultaneously

endeavoured to improve the process by studying it more closely in a 'model office' designed to give insight into what was actually happening.

94. As a general point, from my perspective it was inconceivable (at any stage during my tenure) that POL would replace Horizon. The focus was therefore on trying to negotiate with Fujitsu to improve the terms of the contract and to try to make continuous improvements in Horizon's performance, my particular focus being cost and the delivery of new products. I was aware that the reason Horizon was repurposed from the Benefits Agency software was because, otherwise, it would have had to have been written off. That would have been an enormous bottom-line hit.
95. Horizon was in my opinion very expensive. My view was that the POL team that had negotiated the original Horizon contract hadn't had a reasonable idea what the cost of such a system should be. Given that I was not informed of issues with reliability of Horizon's data, the cost of the system was one of my foremost concerns about the contract.
96. I was conscious of, and encouraged, efforts to reduce the costs of the Horizon contract. This was part of the overarching mission, shared by everyone at POL, to make the business profitable. For instance, in the minutes of the POL Board meeting of 23 February 2005 (POL00021487), it is recorded that the POL Board discussed "*the strategy being pursued for the development of the Next Generation of Horizon*". It was noted in particular that "*a 30% reduction in IT costs would be*

required by 2008. This would be a key enabler for Post Office Ltd to meet its Rural and Directly Managed saving targets”.

The Horizon contract and relations with Fujitsu

97. I dealt with Fujitsu very little during my time at POL.
98. When I started in my role at POL, I had no briefing on the contract between POL and Fujitsu, and was never in fact briefed on that contract. I was not aware of any of the particular contractual documents of which it consisted, including the Second Supplement Agreement (POL00090428) or the Third Supplemental Agreement (FUJ00118186), or any specific provisions therein. Alan Barrie was technically in charge of negotiations, but to the best of my recollection he delegated this responsibility to Keith Baines and a partner at Slaughter and May.
99. I was not involved in any discussions or negotiations regarding POL’s access to so-called ARQ data, or audit data, for the purposes of criminal investigation and prosecutions.

Documents concerning the extension of the Horizon contract to 2005

100. I have reviewed documents RMG00000194, a memo I wrote on 7 August 2002 concerning a call with Mr Richard Christou, then Chief Executive of Fujitsu, and RMG00000079, a December 2002 paper on the extension and amendment of the Horizon contract (the “**December 2002 Paper**”).

101. I was not involved in negotiations with Fujitsu as to the extension of the Horizon contract. It appears that Mr Christou rang me on 7 August 2002 as an exceptional step, to discuss the course of the negotiations.
102. I accept that my name is on the December 2002 Paper, the content of which I did not write. It would have emanated from the POL IT function and been written by the team negotiating with Fujitsu, probably headed by Keith Baines on behalf of Alan Barrie. I regret that I therefore cannot answer the Inquiry's questions regarding the content of this document and that I was not involved in any discussions or negotiation regarding POL's access to ARQ or audit data for the purposes of criminal investigations and prosecutions. At present I am having difficulty with understanding why my name is on the document as I have no recollection of it.
103. I would expect examination of the original digital file of the December 2002 Paper to be instructive as to who in fact wrote the memo. I made a request to the Inquiry for access to the original (for the purpose of examining its metadata). I understand from the response to my request that the original file is not available, which is unfortunate. I also made requests to each of the Inquiry, POL, and RMG for the board minutes of the RMG meeting at which the memo was discussed. None of those parties were able to provide those board minutes.

Concerns about the reliability of Horizon data

104. I do not recall being made aware of any concerns as to the reliability of data produced by Horizon. To the best of my recollection, no such concerns were discussed by either the POL or RMG boards.

105. As such, I did not pass on any information on such concerns to any other individuals, and did not manage or arrange the distribution of such information within POL.

The Horizon s90 release

106. I was not involved in the Horizon s90 release, which I understand to have been a software update released in March 2006. As noted above, I left POL at the end of 2005. In my role, I was not involved in software development, even in a managerial capacity.

107. I have reviewed document POL00028984, an email chain beginning on 11 January 2006, regarding a software “*quirk*” that was affecting branches including the branch known as ‘Callendar Square’, and the fix that was expected to be provided by the s90 release.

108. I was not aware of the matters raised in this email while I was employed by POL. I had not heard of the so-called ‘Callendar Square bug’ until recent news coverage.

Horizon Online

109. I was not involved with the negotiation of, or preparation for, the Horizon Online contract.

PROBLEM MANAGEMENT TEAM

110. I did not come across either the POL or RMG 'Problem Management Team' during my time at POL. Neither of these reported to me.

THE CLEVELEYS CASE

111. I have reviewed document POL00158493, which is an email from Mr Baines to me regarding a risk in the IT risk register related to the civil proceedings against Ms Wolstenholme (the "**Cleveleys Case**").

112. I was not involved in the Cleveleys Case. I did not give any instructions in respect of the case, or brief others on the board about the case.

113. I do not recall asking the question which Mr Baines responds to in this email. However, it does not surprise me that I would have asked that kind of question, having seen such a risk on the risk register.

114. I do not recall any follow-up or steps taken in response to Mr Baines' email to me.

115. I was not aware of and did not read the advice of Mr Brochwicz-Lewinski dated 26 July 2004. Neither was I aware of nor read the report of Jason Coyne. Accordingly, I took no steps in relation to the concerns set out in that report.

116. Nothing about the Cleveleys Case struck me as exceptional or unusual at that time. Given my extremely limited knowledge of the case, it did not lead me to reflect on POL's conduct in pursuing shortfalls or prosecuting SPMs at that time.

COMPLAINTS BY SPMS

117. I have reviewed document POL00072892, which is a letter from Mr Lee Castleton to Mr Knight dated 6 December 2004, to which I am copied.
118. I do not recall seeing this letter. I did not open my own post in general while I was at POL. If I had seen it, I would have asked Mr Miller, Executive Director of Operations at POL, to follow up with Mr Knight.
119. I have also reviewed document POL00107373, a letter from Simon Burns MP addressed to me dated 21 November 2005. The letter explains the circumstances of a SPM named Mr A Bajaj, who had been experiencing shortfalls in his Horizon accounts and had personally made multiple contributions to cover those shortfalls. It encloses part of an account of those circumstances by Mr Bajaj himself.
120. I do not recall seeing this letter. I resigned from my role at POL in late 2005, and agreed a severance agreement with RMG which was dated 11 November 2005 (the "**Severance Agreement**"). Although the exact date on which this letter was received by POL is not clear, its date of sending is after I had signed the Severance Agreement with RMG and shortly before the date that my employment formally ended, which was 31 December 2005. Given this timing, I do not believe that I

would have been the person monitoring such correspondence. The RMG and POL boards at the time were aware that I had stepped back from such responsibilities.

121. To provide further context, for at least two weeks before I signed the Severance Agreement, I was in tense negotiations with RMG regarding my departure from POL. As I elaborate on further below, I had decided to resign from POL due to my dissatisfaction with RMG's management. Very quickly my negotiations with RMG became acrimonious and, for those weeks, they took up most of my focus.
122. By the time I had agreed and signed the Severance Agreement, RMG and I had come to a mutual understanding that I would thereafter focus my efforts on searching for new employment. This understanding is evident in the terms of the Severance Agreement. For example, it was agreed in the Severance Agreement that RMG would engage Stork & May, a career advisory firm for senior executives, to assist me with finding a new role. I had my first meeting with recruitment professionals on 3 November 2005 and discussions continued from there. Between 3 November and the formal end of my employment, I had around thirty meetings with individuals across the market to help consider my next role.
123. It is for this reason, I believe, that I regretfully did not see the letter from Simon Burns MP. By the time the letter was written I was in the process of leaving POL. Had I seen it, I would have wanted to investigate the position immediately, particularly because Mr Bajay's account was convincing and was supported by his MP.

124. I have been asked whether I was concerned by the nature or frequency of allegations made by SPMs that Horizon was defective. To be clear, whilst at POL I was not made aware of complaints to the effect that Horizon was compromised. I could not therefore be concerned by the nature or frequency of allegations made by SPMs that Horizon was defective. I wish to state that had I been aware of such a situation I would have acted to investigate and remedy such complaints.

125. Each of these letters should have been followed up by the appropriate POL or RMG personnel, whether that would have been me or some other senior executive. That would have been clear at the time, but with hindsight it is now obvious.

126. I understand that, as Chief Executive of POL, it is expected of me by the Inquiry and by the public that I should have known about the faults inherent to the Horizon system and the subsequent wrongful prosecution and conviction of SPMs that occurred during my tenure. It is with great regret and humility that I apologise that I did not. I am particularly sorry that I did not see Simon Burns MP's letter about the distressing circumstances of Mr Bajaj. If I had, I am certain that I would have actioned an investigation into those circumstances but, regrettably, the letter was written and (presumably) received during a period in which I was no longer active as POL's Chief Executive.

IMPACT PROGRAMME

127. I was not involved in the design or implementation of the IMPACT programme. As per the board minutes dated 1 September 2004 (POL00032050), Mr Peter Corbett was responsible for the programme's implementation.
128. I do not recall any board decision being taken by the POL or RMG boards regarding the fact that SPMs would no longer be able to place disputed discrepancies in a local suspense account and roll into a new trading period as a result of the IMPACT programme.

MY DEPARTURE FROM THE POST OFFICE

129. Ultimately, I left POL because I disagreed with the approach being taken by RMG management to running it. My activity as Chief Executive of POL in turning the business around, as briefly described above, had been accompanied in or around August 2005 with the retention of the consultancy firm McKinsey, who were hired by Mr Leighton to work on reducing POL's costs. One of McKinsey's tasks was to make a recommendation on the optimal future structure and strategic direction of the group.
130. My experience told me that management consultants tended to suggest one solution above all others, which was to effect cost-cutting through headcount reductions, which was the wrong diagnosis to solve POL's problems.
131. Then, in the autumn of 2005, Mr Leighton informed me that he wanted to change my reporting line from himself to Mr Adam Crozier, Chief Executive of RMG, who

would then have been responsible for all of RMG and POL. It was therefore deemed that Mr Crozier's prior background and experience in advertising at Saatchi & Saatchi, and as the Chief Executive of the Football Association, qualified him to run the biggest branch banking network in Europe, together with Royal Mail and Parcelforce, all at once.

132. I had further discussion with Mr Leighton and resigned my position.
133. For the avoidance of doubt, my departure had nothing at all to do with anything related to Horizon or to the investigation and prosecution of SPMs.
134. The Severance Agreement I signed after resigning from POL contained certain restrictions on my ability to speak about RMG and its group companies.
135. In anticipation of giving this evidence (and further evidence as required), I have secured a waiver of those terms of the Severance Agreement which might have in any way restricted my evidence to this Inquiry.
136. After I left my role at POL, I retained external board roles for several more years. These included being the senior independent director of a company owning the biggest European ATM network, being Chairman of the UK's biggest house conveyancer, and being a senior independent director helping venture capitalists to recruit a high-level team to convert a failing building society into one of the most successful 'challenger banks' listed on AIM in UK. In 2014, aged 70, I retired in full, and resigned from each of my extant roles.

137. My passion for promoting the interests of disabled people led me to be involved with government in formulating the Disability Discrimination Act 1995. This interest continued throughout my time at POL and after my leaving. As mentioned above at paragraph 6, having left POL I continued to devote a substantial amount of my time and effort to promoting the rights and welfare of disabled people. I remained on the board of the Employers' Forum on Disability Ltd, as Trustee of the Royal Association for Disability Rights, and as Vice-President of Vitalise (now Revitalise).

CLOSING REMARKS

138. I was very conscious of the value and trust that people placed in the Post Office during my tenure. In speeches to SPMs during my time at the Post Office, I regularly cited statistics showing the Post Office to be one of the most trusted institutions in the country. I was proud of the organisation I led and have been extremely anxious and upset in more recent years as matters have unfolded and the true situation regarding Horizon and its impact upon SPMs has been revealed.

139. With hindsight, it is clear to see what should have happened in regard to the Horizon system and the investigations and prosecutions undertaken in reliance on it. If I had been made aware of the serious concerns as to Horizon's reliability, I would have imposed an immediate moratorium on the use of Horizon evidence in civil and criminal litigation against SPMs.

140. I would also have called a halt to every new technical development project related to Horizon, until the system was fit for purpose.

141. In my opinion it would also have been essential for the Chairman of POL and the Chairman of RMG to have advised the government at the highest level of the harm foisted upon the SPMs, and to have sought the quashing of convictions which were caused by the unreliability of the Horizon system and their speedy fulsome compensation.

Statement of Truth

I believe the content of this statement to be true.

Signed:

GRO _____

Dated:

3/8/2024 | 10:39:44 AM EST

Index to First Witness Statement of David Mills

No.	URN	Document Description	Control Number
1.	POL00095503	Post Office Ltd Board: Status report, Actions from POL Board Meeting on 1 September 2004	POL-0095086
2.	POL00021483	Post Office Limited Board Minutes of 20/08/03	POL0000016
3.	POL00021487	Post Office Limited Board Minutes of 23/02/2005	POL0000020
4.	POL00090428	Annex to Second Supplement Agreement	POL-0087397
5.	FUJ00118186	POCL and ICL Pathway 'Third Supplemental Agreement	POINQ0124350F
6.	RMG00000194	Memo From David Mills to Note to file, cc'ing Alan Barrie and Peter Corbett - Re Meeting with Richard Christou, Chief Executive Fujitsu	VIS00013093
7.	RMG00000079	Horizon Contract Amendment - RMG(02) 122a	VIS00009938
8.	POL00028984	Email exchanges between Post Office and (Contract & Service Managers) Sandra MacKay, Brian Trotter, Shaun Turner, Gary Blackburn,	POL-0025466

		Stewart Mike, Lynne Fallowfield, re: Callendar Square Bug.	
9.	POL00158493	Email from Keith K Baines to David J Mills and cc'd Clare Wardle, Carol King and others re: Action from your visit to the IT Commercial Team meeting	POL-0147324
10.	POL00072892	Letter from Lee Castleton to Mr Knight re: request for copies of paperwork on investigations	POL-0069455
11.	POL00107373	Letter to David Mills including further letter Re: Mr Bajaj reason for shortages	POL-0105681
12.	POL00032050	POL Board Meeting Minutes of 1 September 2004	POL-0028985