

Witness Name: Allan Leighton

Statement No.: WITN04380100

Dated: 28 February 2024

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF ALLAN LEIGHTON

I, Allan Leighton, will say as follows:

INTRODUCTION

1. I make this witness statement in response to a Request for evidence under Rule 9 of the Inquiry Rules issued by the Post Office Horizon IT Inquiry (the ***Inquiry***), which I received by email dated 11 December 2023 (the ***Request***).
2. The facts and matters addressed in this witness statement are based on my own knowledge except where indicated otherwise, and where facts and matters are based on information and belief I have identified the source of such information or belief.
3. This statement addresses the questions contained in the Request. As requested in that letter, I have not directly referenced each of the questions raised. Instead, I have sought to cover those questions in the following structure within this

statement: (A) an overview of my background; (B) overview of the corporate structure of the Royal Mail during my tenure, and my role within it; (C) functions of the Board – meetings, sub-committees and ways of working; (D) IT matters I have been asked to address, including Horizon; (E) legal matters I have been asked to comment on, including in relation to the prosecution of sub-postmasters (**SPMs**); and (F) final general matters.

4. I understand that I am entitled to submit documents alongside this statement. However, as far as I am aware, I have no contemporaneous documents in my possession (other than those provided by the Inquiry to me accompanying the Rule 9 request – some of which are not documents I would have seen at the relevant time¹). This is because when I left Royal Mail (which I define further below) I would not have retained or taken with me any hard copy documents, and I do not believe any electronic documents would still be in my possession given that I left around 15 years ago and have used multiple different electronic devices since then (and no longer have access to my Royal Mail email account). I should also note that some of the matters I have been asked to recollect took place over 20 years ago, and the most recent date back around 15 years. I have therefore done my best to recall relevant events, but do not have a clear recollection of the detail of many points I have been asked to describe.

¹ For example, I do not believe I would have seen document FUJ00118186 (the POCL and ICL Pathway 'Third Supplemental Agreement'), POL00090428 (the 'Annex to Second Supplemental Agreement'), POL00118229 (the 'Advice on Evidence and Quantum' by S A Brochwicz-Lewinski), POL00120833 ('IT Spend – P12 Reconciliation with Next Steps) and, as described further below, cannot recall seeing the letters at POL00107538, POL0004030345 and emails at POL00161769 and POL00142503.

5. I have asked the Inquiry for copies of a limited number of documents which are referred to in the materials that have been provided to me, and which may have some bearing on my evidence. Certain of these documents have been provided to me, which I have reviewed. Other documents I understand are not available, but if further documents become available or are provided to me, I would be happy to consider them and update my statement as necessary. I should also make clear that if the Inquiry wishes me to comment on any specific topics not already raised in the Rule 9 request, which are relevant to my roles within the Royal Mail companies, I would, of course, be happy to do so.

6. I was incredibly proud to serve as Chairman of Royal Mail for seven years, however, I would like to say at the outset that I have been shocked and completely horrified by the things that I have discovered about this scandal as it has unfolded. The impact on so many innocent SPMs has been nothing short of tragic and diabolically unfair. I would like to extend my deepest sympathies to all those so terribly affected by these events. I simply cannot comprehend the scale of their devastation. To the best of my recollection and understanding (including following my review of the materials supplied to me by the Inquiry) I was not made aware of these serious matters, which are now within the scope of this Inquiry, before I left my last role within the Royal Mail group of companies in March 2009.

(A) BACKGROUND

7. I have been asked to set out a summary of my qualifications and my professional roles prior to joining the Royal Mail group in 2001, during my time at Royal Mail between 2001 to 2009 and since leaving Royal Mail.

8. Before joining the Royal Mail group, I held various executive and non-executive positions. Key positions I held prior to joining the Royal Mail group are:
 - a. At Asda Group PLC, I held the positions of Marketing Director, Retail Operations Director and Group CEO from 1992 to 1999. Upon Wal-Mart Inc's takeover of Asda Group PLC in 1999, I acted as President and CEO of Wal-Mart Europe until November 2000.
 - b. Prior to this, I worked for Mars Corporation during the period 1974 to 1991. During this time, I held the roles of Sales Director of the Pedigree Pet Foods Division, General Sales Manager for the UK Grocery Division and Managing Director in Ireland and Portugal.
9. After leaving Asda, I was appointed to a number of executive and non-executive positions within various corporations, with key roles including acting as non-executive director (**NED**) of B Sky B Plc, Deputy Chairman of Leeds United FC, Chairman of Lastminute.com, Chairman of BHS, Chairman of Cannons Ltd, and a NED of Dyson. In 2001 I also committed to positions as Chairman of Wilson Connolly and a NED of Scottish Power and George Weston Ltd.
10. I continued with certain non-executive roles when I was engaged at Royal Mail and ceased others, in particular when I was appointed Chairman of Consignia PLC (which had not initially been anticipated when I first started discussions about a role with the Royal Mail group). At that stage I had quite recently committed to

additional roles (as listed above). Accordingly, over the following couple of years I sought to reduce the commitments I had made to other organisations. For example, my role at Scottish Power Ltd finished in 2002, my roles at Leeds United FC and Wilson Connolly stopped in 2003, and my roles at Cannons Ltd, Lastminute.com and Dyson stopped in 2004. In 2004 I also took on the role of Chairman of Selfridges & Co. In April 2008 I became President of Loblaws Ltd (a George Weston company) as I understood my tenure with the Royal Mail group was due to end at that stage; in the event I was asked to continue until a replacement Chairman was identified in 2009.

11. Since leaving Royal Mail in 2009, I have been appointed to various other non-executive roles for corporates, which has included acting as Chairman of Pandora (I was also later appointed as CEO in July 2013 and remained in this position until 2015). I also held the position of Chairman for Entertainment One Ltd between 2014 and 2019, and Chairman of Wagamama between 2015 and 2018. Until January 2024 I was the non-executive Chairman of the Co-operative Group, a position which I was appointed to in February 2015. I am also the Chairman of Northern Bloc Ice Cream, C&A AG, Simba Sleep Limited, Em TopCo Limited, The AllBright Group Limited, PizzaExpress, Element Ltd and BrewDog PLC (and am a NED for BrewDog Employee Benefit Trust Limited) and a director of my own company, Going Plural Limited.

12. I have also held various positions for charitable organisations, including acting as Chair of the Canal and River Trust from 2014 to 2022, acting as a Patron of Breast Cancer Care, and Chair of Race for Opportunity.

13. My qualifications include an Honorary Degree from Cranfield University (awarded in 2004), an Honorary Fellowship from the University of Central Lancashire in recognition of outstanding achievements in Business (awarded in 2010), and a Doctor of Letters from York St John University (awarded in 2018).

(B) CORPORATE STRUCTURE AND ROLE

14. I have been asked to describe my roles within the Royal Mail group. Although the legal structures changed over time (and I do not recall all of the details), during my time with the organisation there were three main parts of the Royal Mail group – the Post Office, Royal Mail and Parcels (including General Logistics Services). My role within the Royal Mail group essentially fell into three phases:

- a. **Appointment as a NED to Consignia:** The first conversations I recall having about joining the Royal Mail group focussed around me taking on the position of Chairman of the Post Office. I do not recall who first approached me about this, but it was agreed that I would actually join the Board of Consignia PLC as a NED, with a view to being considered for the position of Chairman of the Post Office in fairly short order. Accordingly, having passed the public office application selection process, I joined Consignia PLC in April 2001 as a NED, as well as its holding company Consignia Holdings PLC. 'Consignia' was a relatively new name, and the group had previously been called the Post Office. Around this time, Consignia, in discussion with the Government, was considering selling the Royal Mail part of the business to TPG (now TNT), the Dutch national postal provider. However, upon starting in my role it quickly became apparent to me that the

group was in significant financial difficulties and, in my view, it was not the time to embark upon a sales process. I, together with other Consignia Board members, attended a number of meetings relating to this potential sale and, ultimately, this sales process was abandoned and the group remained (for the time of my tenure) as including both the Post Office and Royal Mail divisions.

- b. **Appointment as Chairman to POL:** Around that time, the group was also embarking on a refresh of its organisations and executive functions. In October 2001 the Post Office business (a subsidiary of Consignia PLC) was renamed 'Post Office Limited' (**POL**). Since having arrived as a NED of Consignia in 2001, discussions had started about potentially appointing me to the position of Chairman of the whole group, rather than just the Post Office business. It was therefore agreed, after going through the relevant selection processes, that I would be appointed: (i) Interim Chairman of Consignia Holdings PLC (and a NED of Consignia PLC); and (ii) Chairman of POL – whilst POL embarked on a search for a new Chairman. These appointments took place in January 2002 (and, in March 2002, I was appointed to the role of Chairman of Consignia Holdings PLC permanently). I acted as Chairman of POL from January 2002 until the end of April 2003, when Mike Hodgkinson was recruited and appointed as Chairman of POL.
- c. **Continued role as Chairman to Consignia / RMH:** After I stepped down as Chairman of POL at the end of April 2003, I continued in my role as Chairman of Consignia Holdings PLC. I should note that, after I had been appointed to that role, one of the immediate tasks I spearheaded was the change of name from 'Consignia' back to Royal Mail. It seemed clear to me

upon taking up the role that there remained huge pride within the group in the term 'Royal Mail', and regret for the recent change of name. Accordingly, the name 'Consignia PLC' was changed to 'Royal Mail Group' PLC (**RMG**) and the name 'Consignia Holdings PLC' was changed to Royal Mail Holdings Plc (**RMH**). I refer in the remainder of this statement to the names RMG and RMH throughout, rather than the former 'Consignia' names. I held the role of Chairman of RMH until March 2009.² This position was due to finish in 2008 (two terms of three years), but after that period a suitable replacement had not yet been identified, and the Government therefore asked me to stay for a further year. During this period, I retained a role as a NED of POL.

15. Whilst in post as Chairman at RMH and POL, I undertook the usual activities I associate with the position of Chairman. These included reviewing board papers, creating board agendas, attending and chairing full board meetings, attending board committee meetings (as appropriate) and maintaining a regular dialogue with executives whilst monitoring the progress of key projects. I also spent a lot of time visiting delivery offices, mail centres and Post Offices. In circumstances where I was unable to attend a Board meeting, I would always read the relevant material and would discuss the content with the relevant senior individuals including the executives and other NEDs. I was constantly discussing issues relevant to the strategic direction of the group with those in senior leadership roles and had regular

² I do not now recall the precise distinction of responsibilities between RMH and RMG. RMG is a wholly owned subsidiary of RMH, and I can see from the minutes provided to me by the Inquiry that RMH was the legal entity which undertook the substantive work of the group that I recall from my time with the group. However, I cannot recall precisely what different or other work the RMG board undertook. I would be happy to review copies of minutes of the RMG board if it would assist the Inquiry for me to reflect on this further.

catch-ups and meetings with those in leadership positions. I would also always read the minutes of any meeting I had been unable to attend.

16. At all times during my work with the Royal Mail, RMH has been wholly owned by the UK Government. I have been asked to set out my views on the responsibilities of a board of directors in the operation of a company that is owned in this way. As a general matter, directors of a company are required to act in the best interests of the company, and are subject to the general duties of directors prescribed by law. The responsibilities of the board include building and agreeing the company's overall strategy, creating and protecting value for shareholders. At a high level, I see the board and NEDs' role as including setting and testing the strategy of the organisation, and the executive directors' role is to execute that strategy. As Chairman of RMH, my role included providing independent oversight to the Boards, challenging the executive members of the board, as well as strategic guidance and advice based on my previous experience. I was, as Chairman, conscious of the unique position that RMG and RMH occupied, with the UK Government as the sole shareholder, and the need to work effectively with that key stakeholder to deliver value and service to all of our stakeholders, including our shareholder. I describe further below at paragraph 27 detail of RMH's interactions with the various government departments during my time with the group.

17. As a general matter, regarding my method of fulfilling the role of a Chairman, I have for many years since leaving Asda adopted an approach of holding multiple non-executive positions across different companies, believing strongly that my experience in different businesses is valuable to the companies with whom I

work. I should add that my roles for different companies vary enormously, depending on the organisation and role I have been appointed to. Since leaving Asda I have always worked full time (I am aware many people who work in NED roles are partially retired when doing so). I have since that time never adopted an approach of working set 'days' for particular organisations, but rather work for each whenever that is needed in order to fulfil my duties and commitment to the company. I ensured I dedicated more than sufficient time to the role.

18. When I first joined RMH, and as is evident from the Board minutes that have been shared with me, the group had very significant financial challenges. Just by way of example, some of the first discussions I navigated in my role in 2002 as Chairman of the Post Office were around whether the organisation could even continue on a going concern basis, given the scale of loss-making in the business. Part of the reason for this was changes which resulted in many of the products previously provided via Post Offices instead being delivered direct to the customer electronically (for example certain benefits payments). The huge losses the Post Office was suffering meant that there was also an extensive programme to reduce the size of the Post Office network, which itself brought major challenges. Within the Royal Mail part of the business, industrial relations between the group and its workers were very poor, resulting in a high level of strike activity and significant consequential customer disruption, in turn further jeopardising the financial stability of the organisation. Soon after I joined, the mail business also suffered from the threat posed by private companies as the regulator at the time, the Postal Services Commission, elected to de-regulate the postal market.

19. It was also evident to me on joining, that aspects of the organisation's culture required my attention. In this respect, I have been asked about oversight of RMG and RMH's compliance with the Race Relations Act 1978. As I refer to above, when I joined the organisation there was regular industrial action on the Royal Mail side of the business, and it quickly became clear to me that this was an issue that needed addressing. Additionally, it was clear that cultural changes were needed in relation to matters such as bullying and discrimination, again in particular (but by no means exclusively) within the Royal Mail parts of the business. For example, I remember clearly that in my first few days as Chairman of RMH a postal worker tragically took his own life after being subject to racist abuse and in 2003 the Equal Opportunities Commission launched a formal investigation into sexual harassment of female postal workers.

20. Some workers provided me with details of their personal experiences of racial and sexual discrimination or harassment. For example, I remember that, during a visit to one particular mail centre, I was passed a note by four female employees detailing sexual harassment that occurred to them regularly. These were major (and high profile) issues for the organisation, and I led campaigns within the group aimed at tackling discriminatory behaviour (in relation to race, gender and disability). Steps we took to improve morale and culture within the group included a bonus scheme called 'Share in Success', a scheme of phantom shares issued to (what I recall was) over 100,000 front line workers to ensure that they shared in the prosperity of the company. Without reference to contemporaneous documents I cannot recall all of the details of this scheme, but the aim was to give our employees an opportunity to share in the prosperity of the business and engender

greater engagement with our workforce. I also sought to speak to employees at every level on a regular basis, and believed that speaking up was important. At Asda we had built the business into one which was, just after the end of my tenure, named by the Sunday Times as the best place to work in the UK – I knew that having employees who were invested in the business and felt listened to was a crucial element to building a successful business. As part of this attempt to change the culture within the business, we also established a scheme called ‘Have Your Say’ which was designed for employees within the Royal Mail business and crown Post Offices to escalate issues. These types of schemes were promoted so that our employees could raise issues (such as discrimination) which affected them or that they saw, but also sought to more generally help our work force feel invested in a business with a good culture. It is, in my experience, incredibly hard delivering cultural change within such a large organisation (with well over 100,000 employees throughout my tenure with the Royal Mail), but this issue of discrimination was one in which I was personally heavily involved.

(C) Board meetings and sub-committees

21. I am unable to recall precisely, and I have not been provided with a full set of Board minutes for RMG, RMH or POL, but from what I am able to recall, the Boards of POL and RMH met (on average) 8 - 10 times each year. I recall that the cadence was fairly similar to other large organisations with whom I had worked. When I was first appointed to the Board of RMH, the Board was chaired by Neville Bain, and John Roberts was the CEO. At that time, there was not a formal CEO or Chairman for the Post Office business. Rather, Stuart Sweetman was the Managing Director

of POL. Shortly after I joined, there was quite significant senior personnel changes at both organisations: as I mentioned, I assumed the role of Chairman of RMH in 2002, and Adam Crozier was then appointed CEO of RMH in 2003 (and was the CEO throughout my tenure), and in the Post Office, after my initial tenure as Chairman, Sir Michael Hodgkinson was appointed the Chairman (in 2003) and David Mills was appointed CEO (in 2002).

22. As a general matter, I have more recollection of the RMH Board meetings than the POL Board meetings, because from 2002 I chaired those meetings. However, in respect of both RMH and POL, once these new leadership teams were in place, it was my impression that the style of the Board meetings was open, with detailed discussion and contributions from everyone in attendance. I recall that proposals were often tested by the Board in detail, and that Board members appeared engaged and focussed on delivering for the group.

23. The agenda for Board meetings were determined by the Chairman and CEO, with Board members from time-to-time then requesting deep-dives on certain topics. As I mentioned above, when I first joined RMH and then POL, I recall that the key points within the agendas were dominated by the closure of network offices, industrial relations, entrance into the mail market of private participants and the need to replace products within the Post Offices to keep them viable from a financial perspective.

24. In relation to both RMH and POL, in advance of each meeting I would be sent by courier a hard copy of the Board papers that related to the forthcoming meeting. I

would review these diligently, as I do for all of the companies I work with. For some of the POL Board meeting minutes that have been sent to me, I can see that I was not in attendance. Sometimes this occurred because of my schedule, but if it did then (as I have explained in paragraph 15 above, as was my usual practice) I would raise issues from the minutes I wished to enquire about with executive members of the Board (for example this was often in advance of the board meetings, or during my regular meetings with them), and then also review the minutes from that meeting when they arrived in the next Board pack that was delivered to me. As Chairman of RMH it is my recollection that I attended virtually all of the meetings, because I was chairing them.

25. Typically, those present at RMH Board meetings consisted of:

- a. The Chairman for both RMH and POL;
- b. NEDs;
- c. The CEO of RMH and POL; and
- d. The CFO of RMH.

In addition, attendees included the Company Secretary and presenters of the agenda topics.

26. Typical attendees of POL Board meetings (after 2003 when Sir Mike Hodgkinson was appointed Chairman) were also the POL Chairman, CEO, Information Technology Director, Finance Director, COO, Sales & Marketing Director, myself as Chairman of RMH, and the Executive Deputy Chairman of RMH. Again, attendees included the Company Secretary and presenters of the particular topics relevant to the Board's agenda.

27. Alongside this, there was interaction between the businesses (at the RMH and POL levels) and the UK government. I am unaware of (or cannot recollect) any formal structures in place, when I first joined the Royal Mail group, for reporting to the sole shareholder, the UK Government. I do though recall that there were periodic meetings between the Department for Trade and Industry (**DTI**), including the Secretary of State, and the Royal Mail and, separately, meetings between the Treasury and the Royal Mail. These latter meetings were particularly crucial when I first joined the organisation, such was the level of financial support that the Royal Mail group required from the UK Government – and in the latter stages those Treasury meetings (to my recollection) principally focussed on the issues of privatisation, regulation changes affecting both RMH and POL, and the funding of POL.

28. Then, in 2003 the UK Government established the Shareholder Executive. At this stage, interactions between the Royal Mail and the UK Government in general moved from DTI to the Shareholder Executive. In terms of cadence, to my recollection, as Chairman of RMH I would have two or three update meetings per year with the Secretary of State. Separately, either the CEO or Chairman of POL would have held separate meetings in relation to POL, alongside regular dialogue with the Shareholder Executive at the executive level. In addition, both I and the Chairman of POL, and CEOs of RMH and POL would attend Government Select Committee meetings when requested to do so; I recall that this was in particular required in relation to the issue of network reduction, which was an area of significant focus for POL.

29. I have been asked to describe the sub-committees of the RMG, RMH and POL Boards, their membership and terms of reference. As I explained above, I cannot now recall precisely the difference in terms of corporate Boards / responsibility between RMH and RMG. However, I have seen some minutes from RMH which have helped to refresh my memory of the operation of that Board. In general, whilst I cannot recall all of the sub-committees of RMH and POL, their membership or terms of reference, at least RMH had a Risk and Audit Committee, a Remuneration Committee and a Nominations Committee. Attendees at the Audit Committee, at least at the RMH level would have typically included the CEO and CFO of RMH, internal auditors (by request), Heads of Finance (as presenters) and external auditors. I was not a member of any of these Committees, but would attend their meetings when requested. Generally, the Committee Chairmen would run the Committee and report back to the Board.

30. Whilst I do not have copies of the Audit or Remuneration Committees' Terms of Reference, I would expect these to include the standard provisions similar to other companies with whom I have worked. For instance, the Audit and Risk Committee would oversee, assess and review matters such as the financial results for the company, the internal reporting controls and risk management. The Remuneration Committee would agree or recommend remuneration structures for the company, including base bonus and any long-term incentives offered to the Board and senior executives.

31. I do not have access to the reports submitted at any sub-committee meetings, but from my recollection of minutes and previous experience this would include reports from the CEO and CFO, business unit reports and specific strategic topic reports.

D – IT matters and Horizon

32. I have also reflected on the responsibilities of a board of directors in relation to oversight of a company's IT structure. In my view, it is typical for a board to have oversight of major IT projects which, from a financial and headline perspective, constitute a substantial outlay for the company.

33. In the context of RMH, whilst my recollection of the precise structures in place and personnel is limited, I recall that IT projects were managed by a large IT team including various sub-teams who assessed each proposed project. Projects considered to be potentially worthwhile would then have been sponsored by the CEO and the CFO would authorise the initial cost estimates and implementation plan. The person in charge of the project (usually the Head of IT) would then present the proposed project, roll out timescales and the implementation plan to the Board. The presentation would usually include details of the scale and cost of each major project so that the Board could assess its value and approve the level of spending. Once approved, the project would typically have been implemented by the IT team. The CEO, COO and Head of IT would oversee each major project's progress and provide updates to the Board as necessary.

34. I was appointed at RMH and POL after the initial Horizon project had been approved and implemented. My recollection is that the project was overseen in broadly the same manner as described above, although of course the implementation, running and re-negotiation of contracts relating to Horizon spanned a very long time. I do not have a specific recollection of receiving training relating to Horizon, but expect that I would have received a briefing on the purpose of the system and how it worked including in all likelihood a demonstration of some kind. I was familiar with the implementation of large-scale IT projects from other companies I had worked with (for example at ASDA) such as implementing SAP.

35. My main recollection of the Board's oversight of the Horizon IT project is that a key focus, and repeated discussion point within the Board of POL, related to the timeline and headline content of the project, the cost and its value for the UK Government and by extension the taxpayer. This is evident from the minutes provided to me by the Inquiry but I also recall that, from the time I began working with RMH and POL, POL was in a difficult financial position, and Horizon represented a significant cost. I knew that projects of this nature often took significantly more than the planned time and cost to implement properly. This was therefore an area that was tested by the Board – the company needed a system which was fit for purpose and represented value for money.

36. Although I do not specifically recall the training I had on Horizon, I do recall that at one stage (I cannot recall precisely when) I visited a back-office customer service centre in Chesterfield. I recall that this office handled various complaints about Horizon and other issues, perhaps (although I cannot be certain) dealing with

questions from SPMs – the ‘hotline’ that was available to SPMs to use to try to resolve queries. I cannot recall why I visited this office, but it was typical for me to visit various Post Office or Royal Mail sites around the country to speak to staff, wherever I was. I recall that, whilst there, I spoke to individuals about the Horizon system and its effectiveness. From my recollection, although there appeared to be some day-to-day issues that the staff in the office were dealing with, I do not recall that there were complaints which indicated major issues with the system and I certainly do not recall being told anything about the issues with Horizon that are part of the Inquiry’s investigations.

37. As regards Board oversight, I recall that the POL Board would discuss the Horizon project when a major milestone was reached or when substantive decisions needed to be made in relation to the renegotiation of the contract or when new major updates were rolled out. I have limited recollection of any particular discussions, but as above I recall that the thrust of the matters debated related to the high cost of the system (particularly at the stages it was being renegotiated with Fujitsu) and a focus on getting value for money for the business and the tax payer. I think that at times executive members of the Board met with SPMs to discuss the system, but I do not recall that clearly (and do not recall any major issues that were escalated via that route to me, or the Board). I have no specific recollections, but it is my expectation that, during the roll out of the Horizon system whilst I was a Board member of POL and Chairman of RMH, there would have been at least some performance issues relating to the Horizon system reported to the Board. It is, in my experience, usual that there would be at least some degree of issues within a system like Horizon system when it was being rolled out; what I as a Board member

would have done is seek assurance that any issues were being rectified (or reported back if for some reason they could not be).

38. As a general matter, if reports of problems, issues or outages within Horizon were reported to the POL Board (more likely than the RMH Board), I am not sure they would have struck me as an immediate cause for concern; in my experience large IT systems will almost always experience issues that require resolution; and pretty much all large IT systems require regular upgrading to improve performance (amongst other things). Of course, if the Board had been aware of the significant problems, issues or outages that evidently existed and were not being remedied, or the tragic consequences that these led to for SPMs, the Board should have sought to require that the issues were resolved as a matter of urgency. I have no recollection of such problems being identified to the Board generally or me in particular. Indeed, I note from POL00095531 that in August 2005, in relation to Horizon Online, the Board was being told that at a SPM exhibition that the *"response from delegates to the new system remains overwhelmingly positive... It was also reassuring that our key messages continue to be received and understood"*. Further, as noted in POL00095521 on the release of Horizon S90, it was stated that *"The release continues to make good progress. There have been a number of issues in pilot but these have been quickly diagnosed and resolved"*. I have no specific recollection of these meetings but these minutes do not appear to show any significant problems with SPM's use of Horizon.

39. I have also been asked about oversight of the RMH and POL accounting systems.

I do not have copies of any reporting line structures or terms of reference, but it is my expectation that, as in most large companies, responsibility for the accounting systems of RMH and POL fell within the remit of the CFOs of each of those companies. The Board would review the company's profit and loss accounts each month, and any additional information that management provided or that the Board requested. The accounts would also be externally audited twice each year. The auditors would, as part of that process, meet the audit committee chair on an ad-hoc basis and brief the audit committee and the Board as to the outcome of each audit. I recall that at times, the Board would be presented with more detailed financial reports. These were collated by the CFO and were intended to assist the Board in making decisions regarding the company's strategy. If there were any concerns regarding the company or group's accounting which had a significant impact on the company's financials, I would have expected the CFO or auditors to bring these to the attention of the Board and the audit committee.

40. It is my expectation that the Legal and Operations teams would have been responsible for the negotiation of the Horizon contracts. I would have also expected that the terms of key contracts such as Horizon might have been evaluated by external advisors. In that respect, I note there is evidence of Gartner assisting in evaluating the contract for the Next Generation of Horizon (**POL00021487**), which matches my expectation. Summaries of these negotiations were also brought to the Board, which is what I would have expected for such a large contract. Those summaries would have covered the major points but would not have gone into detail regarding the contractual provisions. To my knowledge,

the contract itself was never presented at these meetings, and I would not have expected as Chairman of the RMH Board (or non-executive of POL) to review the detailed contract; I would expect to be briefed by the executive team on the key points.

41. In answer to the Inquiry's question regarding **POL00090428** (Annex to Second Supplement Agreement) and my knowledge of page 23, I cannot recall being aware of this provision (or indeed, the agreement). This agreement was signed before I joined the Royal Mail group. As described in paragraph 40, I would not typically have expected to review the details of a contract (and I do not recall reviewing this one); I would expect to be briefed by the executive team, in relation to major new projects / contracts that were being signed, on the key terms (although this particular contract was put in place before I joined the Board).

42. Further, in respect of the Inquiry's question regarding **FUJ00118186** (POCL and ICL Pathway Third Supplemental Agreement and my knowledge of provision 5.3), I note that this contract was signed before I joined the Royal Mail group. In any event, whilst I would have expected that contracts of this nature had certain audit provisions (for example in relation to performance and financial metrics), I confirm that I cannot recall being made aware of this provision (and the same points apply as in paragraph 40 above).

43. I have been asked to set out the nature and extent of my involvement in the design and implementation of the IMPACT programme. Having refreshed my memory from the documents provided to me (in particular **POL00032147**), I recall that

IMPACT was intended to update and improve the accounting system and save time and money. I do not recall much more detail than this. I do not recall the Boards discussing the fact that SPMs would no longer be able to place disputed discrepancies into a local suspense account and roll into a new period. As a general matter, this is not the type of issue I would have expected to be raised to the level of the Board of POL or RMH, as this was a comparatively detailed technical issue. I have no recollection of any involvement in the procurement or negotiations of Horizon Online.

E – legal matters and prosecutions

44. I have been asked to describe my role in overseeing the RMH, RMG and POL legal departments, problem management teams, security and / or investigation department. After leaving my roles at RMG and RMH in 2009, I of course heard through media sources of the terrible and irreparable harm that the legal cases brought by the Post Office caused to so many SPMs. I do not recall any discussion during Board meetings of the prosecutions that POL was pursuing against those SPMs. I have tried to remember any specific discussions, but cannot recall any discussions at all at the Board level of the prosecutions, less still the legal arguments that were being advanced in those cases.

45. As a general matter, my role as Chairman and NED of RMH was one which involved overseeing and advising on the strategic objectives of RMH. Where issues were raised to Board level, I would seek to take an active role in discussing and probing the best course of action. Since the litigation was taking place within

POL, as with other companies with whom I have worked over the years, I would have expected the Board of POL to be kept up to date with key litigation ongoing in the company. Usually this would include litigation which impacted, or had the potential to impact, the strategic objectives of the company. I would not have expected to have been briefed on all litigation, but rather those deemed by the executive team to be high cost or have the potential to impact the strategic objectives of the company. Within the business, the responsibility for conducting and overseeing litigation is, in my experience, the responsibility of the company's legal function.

46. To the best of my recollection, this is how matters worked at RMH and POL. There was a legal team which was responsible for oversight of criminal and civil proceedings. Anything affecting the Group's strategic objectives should have been flagged to the relevant personnel and Board as required. During my time at RMH, the Group's General Counsel did not sit on the Board. Given the passage of time and the various corporate reorganisations during my tenure, I cannot recall the General Counsel's reporting line, but I would have expected them to report to the CEO.

47. During my tenure, I do not recall that civil or criminal proceedings against SPMs specifically were addressed at Board meetings. Having reviewed the documents provided by the Inquiry to refresh my memory, including **RMG00000006** and **RMG00000008**, I do recall discussion in RMH (it appears from the minutes provided this was in the Audit and Risk Committee of RMH) from time to time about the issue of theft and fraud in the Royal Mail part of the business (i.e., within the

mail centres). I can see from both **RMG00000006** and **RMG00000008** that figures were provided to the Audit and Risk Committee in November 2003 and May 2004 of numbers of Royal Mail personnel prosecuted; I assume these figures relate to the Royal Mail side of the business (as opposed to the Post Office), because it refers to 'Royal Mail personnel' (in **RMG00000006**) and is under the heading 'Protecting Royal Mail Assets' (in **RMG00000008**) but I cannot be certain. I do recall discussion within Royal Mail about the theft of Royal Mail assets. I recall in particular that, when I joined the group there was discussion about thefts from the mail and, when I visited one particular mail centre I saw walkways running above the mail sorting area, with managers standing on the walkways to watch for thefts. This struck me as an incredibly unpleasant working environment, and was one of the aspects of the culture I recall we sought to address. However, in relation to **RMG00000006** and **RMG00000008**, without knowing to whom these figures apply it is difficult to comment on their significance retrospectively. The Royal Mail group employed in excess of 100,000 people during my tenure and as such, without a more detailed breakdown, it is difficult to draw any conclusions from the figures included in those committee minutes.

48. Although I do not have specific recollections, I must have been aware at least as a general matter that the Post Office also prosecuted individuals for fraud-related offences. I would expect (although cannot recall) that there were relevant practices, guidelines and policies available in relation to the investigation of any alleged wrongdoing and subsequent criminal proceedings. I expect the same existed in relation to the suspension or termination of SPMs' contracts and any potential civil litigation which might follow. In general, I would not have expected the Board to

be briefed on precisely what those policies were, or on individual cases where fraud was prosecuted within the business. However, I would absolutely have expected the practices, guidelines and/or policies not to permit or require Post Office staff to pursue prosecutions in circumstances where there was insufficient evidence or if it was known that the relevant losses were in fact caused by an IT system and not by an individual. Although I have tried to remember more about this aspect since receiving the Request, I cannot recall having seen any of these policies, nor recall discussion about them.

49. During my time at RMH and POL, I was not involved in the conduct of audits of SPMs' branch accounts. As a member of the POL Board, I would have seen the POL company accounts and therefore any profits or losses in connection with rural post offices. However, I would not be provided with detailed accounts relating to each SPM's branch – accounts of this nature were the responsibility of the Finance and Operations teams, and this level of detail would not be presented to the Board. The management of the distribution of information on Horizon within POL would have been overseen by the CEO, COO and Head of IT.

50. I have been asked to explain the nature and extent of my involvement in investigating and responding to complaints about Horizon and the legal proceedings brought by POL. I had no direct involvement in dealing with these matters and was unaware of the complaints made by SPMs. Whilst I expect there were policies in place to deal with complaints made by SPMs, given my role, do not recall seeing or remember the specifics of those procedures.

51. I have reviewed **POL00107538** and **POL00040345**, and have been asked to provide my recollections. I do not recall receiving these letters and do not know if I did. During my time at RMH and POL I often received a large amount of mail each day relating to issues right across the business. When mail was addressed to me in my capacity as Chairman of RMH, it would not always be passed to me. A proportion of the mail I received would inevitably flag issues which the sender would have liked to be resolved. If I was not in the office on that day, correspondence was often passed on to somebody else to action instead, sometimes the complaints department. This would very often mean that issues could be dealt with more efficiently than if I were to review each letter individually. I have reflected back but unfortunately cannot recall the letter from Alan Bates and subsequent correspondence with Betty Williams MP, and do not know if I dealt with it personally at any stage, or if it was only dealt with on my behalf, perhaps by the complaints department given the nature of the letter (it seems likely, given that there is no reply with my signature on it or any handwritten notes on the letter by me, that it was received or handled by someone else, but I cannot be sure given the long passage of time).

52. I have been asked to describe the nature and extent of my knowledge and involvement in *POL v Wolstenholme* and have reviewed documents **POL00142503**, **POL00118229** and **POL00120833**. I do not recall having any knowledge of this case, but I would have expected the Head of the Legal team, the CEO or Managing Director of POL to have been informed of a case where the integrity of Horizon had been successfully challenged. I may not have been notified about this case because the amount of money involved was low by comparison to litigation that

might typically be raised for consideration by the Board. It goes without saying that, in hindsight, had any executive been aware of the evidence presented in this case and the potential impact on SPMs' convictions, I would like to have been informed.

53. I have reviewed **POL00161769** and do not recall why I asked to be notified about the reopening of Hoylake Post Office following the suspension of its SPM. I was not copied to the emails that have been shared with me, and I cannot recall seeing them. I do recall that from time to time MPs contacted me about the closure of a post office in their local area. It could be that this is what happened on this occasion – the local MP could have written to me to request that the decision to close a particular post office should be revisited (in this instance from the emails I have been provided, I can see this might be connected to a golf tournament). However, I do not recall any questions being raised to me about this particular instance.

F – General

54. In the 'General' section of the request, I have been asked by the Inquiry to reflect on my time at the Royal Mail group and if I would handle the Horizon system and the associated issues differently. As I have explained at the outset, I have been absolutely horrified by the information I have seen subsequently emerge about the improper prosecution of SPMs.

55. Reflecting back, with the benefit of the information provided to me by the Inquiry, I cannot see that I could have provided more information personally to the Board or DTI, given the information that had been presented to me. I also cannot see that

it was brought to my attention at the time the way in which POL was handling any challenges to the integrity of the Horizon IT system, or what POL's approach to prosecutions and the disclosure of information to SPMs was.

56. I have found it difficult to reconstruct my memory from such a long time ago and on the documents I have been provided with. I therefore find it challenging to establish what could have been done differently to ensure that the Board was alerted to these issues sooner. The corporate structure was similar to those used in other similarly sized companies at the relevant time and I considered that this structure typically offered adequate oversight. I believe that the Board gave reports regarding Horizon adequate attention, but did not have the information available to them to indicate that there was a deeper issue with Horizon.

57. In hindsight, a greater level of data regarding labour turnover, accompanied by details on why employees were exiting, may perhaps have helped to establish what was happening to SPMs. However, SPMs were not employees of the Post Office or Royal Mail and so I expect that the data would not have been available, nor would the Board have expected to receive such data. Further, more detailed reports regarding the Royal Mail group's prosecutions, ideally divided by subsidiary and role, would have been helpful in perhaps flagging the patterns which emerged but there is no guarantee that these would have been brought to the attention of the relevant individuals. I have considered if a dedicated SPM whistle blower hotline might have assisted. I suspect it would, though only if reports were adequately escalated and given the importance which, in hindsight, they clearly deserved.

Index to First Witness Statement of Allan Leighton

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control Number</u>
1.	POL00095531	Post Office Limited Operations Functional Report of October 2008	POL-0095114
2.	POL00095521	Post Office Limited Operations Functional Report of April 2006	POL-0095104
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.	POL00032147	Post Office Limited Board Minutes of 17/08/2005	POL-0029082
7.	RMG00000006	Royal Mail Holdings plc Audit and Risk Committee Minutes of 11/11/2003	VIS00007414
8.	RMG00000008	Royal Mail Holdings plc Audit and Risk Committee Minutes of 24/05/2004	VIS00007416
9.	POL00107538	Letter from Alan Bates to Mr A Leighton RE: Termination of Subpostmaster Contract	POL-0105846
10.	POL00040345	Letter from Richard Barker to Betty Williams MP, RE: Horizon	POL-0036827
11.	POL00142503	Email from R Ismay to D Parker, M Talbot and others, RE: 'Legal case – Cleveleys PO 153 405 Mrs J Wolstenholme'	POL-BSFF-0001779
12.	POL00118229	Advice on Evidence and Quantum by S.A Brochwicz-Lewinski in POCL v Julie Wolstenholme, Case No. CR101947	POL-0120149
13.	POL00120833	IT Spend - P12 Reconciliation with Next Steps; Risk-Opps and Forecast Analysis	POL-0126849
14.	POL00161769	Email from Patricia Hull to Mark Partington, RE: '42 Day Process – Escalations'	POL-0150146