

File notes SC/PV

FRIDAY 30/9 Costa Coffee Old St/Goswell Rd

Purpose: Susan had asked me earlier in the week, how I felt about her continuing in the business and what job I was expecting her to do. I was slightly surprised that she had raised the issue again - we had already had a conversation where I said I had wanted to help her restore her reputation after the Board discussion. But again I said that I wanted her to do what I had asked of her prior to my holiday. I.e., to get on top of the new processes, to lead the business through the mediation scheme and to help me use this as a catalyst to change the culture, so we 'listened' more.

Susan was very very angry. She yelled at me. She thinks this has damaged her reputation. She was upset that Alice had commissioned the RH review. She was cross that I hadn't got her the ToR before I circulated it to Alice, Alasdair and RH. She was convinced there was a breakdown of trust. Esp between her and Alice. But with the Board generally. Although she did say that all the Board except Susannah had been in touch.

I explained I had simply not had the time to give her the Tor - Dave Ward call/ CWU discussion with CD/KG. I said if she felt some changes were needed then I would be happy to consider them. She suggested that our external lawyers Bond Dickenson (BD) should be involved. I said if that helped I couldn't see why not and would think about it.

It is clear that the RH review has destabilised her. She shouted that she was looking at other jobs. She threatened that we would have to back her - implying the importance of references.

She again raised that Alice had made mistakes. I reminded her that we probably all had and Alice had accepted that RH needed to be even-handed. I reminded her again that I had raised (with Alice) the 'issue' of Alice also needing to be interviewed. And I said that whilst I would be asking Alice about a couple of challenges Susan raised (Alice believing Donald and BIS comments about a PO cover-up?), I wanted to be loyal to the Chairman as I believed she had imagined the RH review would be a way of moving on.

(I also wanted to see if we could get ourselves back on an even keel: Susan is clearly making lawyers notes on everything; and I would like the two of them to repair the relationship. Not sure how do-able the latter is but to have it break down totally at present is not in anyone's interests.)

So I mostly listened and took the anger. Eventually, she calmed down and I said I would (genuinely) like to help her find a way through this. She began to be positive again and as we walked back to 148, Susan suggested I join her and her HR team for her moving on supper. I thanked her, and said I would be happy to do that and to say how sorry I was that it had happened so quickly; that she had helped make the function much stronger and I was grateful to her. (See context below.)

MONDAY 2/9/13 PV meeting room 3pm

Over the weekend I reflected that Susan's request to bring in BD was more about her lack of confidence and decided to reassure her that I was happy to take her opinions - to demonstrate confidence in her. I.e., she didn't need BD to help her out. She had called on BD twice recently and she agreed today that I was right and therefore they wouldn't need to be involved if she had my support.

Susan then told me it didn't matter because she couldn't do her job any more. The RH review was not the right action for the business. We had ruined her reputation and compromised her. Professionally, she needed to point out the the RH review shouldn't happen as not being legally privileged, it could be detrimental to the business but Alice would not believe her and instead see her view as defensive. Therefore she could no longer be effective: a General Counsel cannot operate if they don't have the confidence of the Chairman/Board/CEO. I repeated she had my confidence and I cited other business issues in the last several days where I had sought her counsel. I am trying to help her repair the situation. She pointed to the impossibility of her ever coming before the Board. I disagreed - she will have spoken to all of the Board. And I reminded her that Alice wanted an open and even-handed RH "lessons learned" review.

I said that if she is right and the RH review is not in the best interests of the business, then I needed to understand why (she is sending through the legal case). And assuming she is correct then she would have to brief me on how to present the case to Alice, and, we would need to explain at the same time, how we were going to demonstrate what lessons had been learned. (To avoid the accusation of Susan being defensive.)

RH is due to see Susan and Angela on Wed am. If I am going to stop or pause the review, I need to stand him down from those two meetings. Seeing Susan in her current frame of mind will not help the business or her. As RH is a past colleague of Alice (there are a couple of lessons to be learned here too), then it would be sensible to tell Alice first.

I wonder if Susan is over-reacting to the RH review. But she could be right. She will undoubtedly make the legal case against it. Emotionally, she may just throw in the towel if we decide to press ahead. This may also be her way of saying she can't cope with much more pressure at present.

If Susan leaves in the short-term, that will be a major set-back. She has stabilised the project, she is demonstrating that she wants to 'right the wrong' (my words - not hers). And importantly, the external stakeholders have responded positively, and she has the confidence of the internal team.

I need to find a way of calming this down. And buying us some time to think carefully. We can do a "lessons learned" internally. And if we do it ourselves, then there could also be some reconciliation. How we handle this will say a great deal about the values of the business.

Neil - this is the end of the brief for our discussion. There are more notes below as context if you have time. But not imperative.

Reflections:

In both meetings, Susan was very emotional. She is hurt. Her ego and self-esteem have been undermined. She swings between wanting to get away from it all with a settlement and leave immediately, to building a case to fight and defend her reputation, to accepting that the most satisfactory outcome would be to restore her reputation by managing the mediation scheme through to a satisfactory ongoing process.

Each time, we have finished the meeting positively.

Susan had said to me prior to my leave, that she would never have put a business she worked for in the situation we found ourselves with the SS interim report, and she wished she had never allowed Alice to persuade her to do the independent review. She should in her view have resigned over it at the time.

My reflection on what happened with SS as I write this today (2/9/13), is that Susan was possibly more loyal to her professional conduct requirements and put her integrity as a lawyer above the interests of the business. She did not communicate clearly what she was concerned about. If as she says she felt compromised (personally and for the business) by being asked to manage SS more closely, then her misjudgement was that she did not make that clearer to me on the two or three occasions that I asked her to do so.

Susan believes the person who compromised her is Alice. Alice met JA part way through the review and according to Susan Alice agreed with JA that SS had to 'keep the JFSA happy'. Susan believed that an independent review meant that she could not/would not then intervene to change the biased opinions that Second Sight reached because they were 'keeping the JFSA happy'. It took some strong persuasion for Susan to accept (which I am clear she did, as she was disappointed with it) that the first interim report needed SS to amend it. The Board and the external stakeholders only saw the second version.

Wider performance context:

Up until this time, Susan has been a wise (if risk averse - we had discussed this) General Counsel. She worked long hours and professionally for the business steering the PO through the MDA and MSA, during the separation from Royal Mail. She has built and recruited a good team of lawyers: Rodric, Piero (Bol) being great examples.

Her performance was good, she contributed well at ExCo. As Corporate Services Director, she brought clarity to the HR team and helped it regain confidence. She did not show as much HR leadership to the wider business as we needed. And we agreed earlier in the year - long before the SS report - that the business would benefit from dedicated and experienced HR leadership. Susan made that point herself to the Board at the June awayday. She agreed that she would relinquish the HR function. I began to recruit for an HR director.

When we were faced with the urgency of handling the SS interim review fall-out (ministerial statement to Parliament, high profile media etc), I told Susan that I was minded to implement that decision immediately, so that she could concentrate on SS handling. Fay would take on HR reporting to me in the interim. Susan agreed.

HR announcement:

When I returned from holiday, I was told by Alwen that Susan had been upset because I had not spoken to her about the timing of the announcement. She indicated (2/9/13) that could be construed as constructive dismissal; but then qualified her comments by confirming she did know and had been involved twice in the decision making process.

(I haven't told Susan as it doesn't make her feel any better, but the internal HR/Comms process, which usually works - didn't go through its normal checks. She knew the announcement was going to be made. She would normally have been asked to check the wording. I have since asked Alana to review and make sure we are diligent in this. And I apologised to Susan, as it made things more difficult for her than they needed to be.)^P_{SEP}