

Witness Name: Rachel Scarrabelotti

Statement No.: WITN11120600

Dated: 29 August 2024

POST OFFICE HORIZON IT INQUIRY

SIXTH WITNESS STATEMENT OF RACHEL SCARRABELOTI

I, Rachel Scarrabelotti, will say as follows:

INTRODUCTION

1. I am Rachel Scarrabelotti, Company Secretary at Post Office Limited ("**POL**" or the "**Company**"). I have provided five witness statements to the Post Office Horizon IT Inquiry (the "**Inquiry**") on behalf of POL. This is the first witness statement I have provided in my personal capacity.
2. This witness statement is made to assist the Inquiry with the matters set out in the Rule 9 Request dated 16 July 2024 (the "**Request**"). My retained lawyers, Kingsley Napley LLP, have assisted me in preparing this statement, but the content is instructed by me.

3. Throughout my statement, I have referred to “subpostmasters” as “Postmasters”. This is the terminology commonly used by POL at present to refer to Postmasters. I also believe this to be the more appropriate and respectful terminology.

PROFESSIONAL BACKGROUND

Educational and Professional Qualifications

4. I obtained a Bachelor of Arts from the University of Queensland in 1998, and a Bachelor of Laws (Honours) from the same in 2000. In 2002, I was admitted to the Supreme Court of Queensland, the Federal Court of Australia, and the High Court of Australia as a barrister. In 2003, I was admitted to the Supreme Court of Queensland and Australian Capital Territory as a solicitor. In 2022, I qualified as a Chartered Secretary and Governance Professional with The Chartered Governance Institute UK & Ireland.

Career History and Appointment as POL Company Secretary

5. I commenced my professional career in March 2001 as a Research Officer to the Presiding Members of the Land and Resources Tribunal in Brisbane, Australia. From October 2002 to December 2009, I worked as a solicitor in Brisbane and then London, latterly specialising in corporate real estate and real estate investment management matters. In July 2011, following my return to Australia

from London, I undertook a role in Sydney as Senior Legal Counsel and Company Secretary in the Investment Management business at Lendlease, an ASX-listed multinational construction and real estate company. In that capacity, I advised on a variety of investment management legal and governance matters, and fulfilled the role of Company Secretary for a number of the trustee entities. In January 2018, I transferred to Lendlease's London office, becoming Legal Counsel, Head of Company Secretariat, and Company Secretary for the EMEA region. In this role, I provided corporate law and governance advice, and as Company Secretary for the parent European holding entity, I was responsible for overseeing the corporate governance arrangements of circa 260 subsidiary entities. I also liaised with the shareholder, investors and stakeholders.

6. On 8 March 2022, I joined POL and, following approval of the POL Nominations Committee and POL Board, was appointed as Company Secretary, effective 12 April 2022. I was initially employed by POL on a six-month fixed-term basis. My position was made permanent on 1 December 2022. In my role as Company Secretary at POL, my key accountabilities include acting as the appointed Company Secretary for POL, its subsidiary entities, and in relation to its joint venture entity. I provide support to the Chair, Board members, members of the Strategic Executive Group ("**Executive**") and Leadership Team, and the wider business in respect of corporate governance issues. This includes the provision of independent advice on corporate governance matters, liaising with UK Government Investments Limited ("**UKGI**") in respect of shareholder issues, monitoring compliance with specific legislative, regulatory and contractual

requirements, as well as observance of applicable codes and guidelines. I exhibit the POL Group Company Secretary Job Description dated January 2022 (**POL00448730**).

HORIZON IT SYSTEM

7. Prior to joining POL, I did not have any detailed knowledge of the Horizon IT system. My knowledge of matters relating to Horizon was only confined to information available in the public domain, namely information that was reported by the media in relation to the Inquiry.

8. Since joining POL in March 2022, my understanding of the Horizon IT system has largely been informed by reading materials prepared for Board and Executive meetings on this topic. Such reading materials have generally been provided in respect of POL's ongoing intention to transition from the Horizon IT system to New Branch IT ("**NBIT**"). From the materials I have reviewed, my understanding is that whilst there have been different versions of Horizon provided since it was first introduced, the Horizon IT system is considered to be aged and difficult to update in the case of new products. I have also attended employee sessions introducing NBIT, which have highlighted to me the more labour-intensive nature of the Horizon IT system for Postmasters, for example, in terms of the training required and transaction times, along with difficulties for Postmasters in extracting transaction data from Horizon. While participating with the Christmas in-branch helper days in December 2022, I did not receive training on the Horizon

IT system, and worked instead using the Self-Service Kiosks in-branch.

EXPERIENCE ON THE POL BOARD

POL Training and Induction Process

9. I have been asked to describe the nature of any training and induction received prior to, or on my appointment as Company Secretary, as well as the quality and completeness of such training and induction.

10. In terms of the induction process, on 8 March 2022, the first day of my employment with POL, I attended a two-hour handover meeting with the outgoing POL Company Secretary, Veronica Branton. The following day, I had an additional 15-minute meeting with Ms Branton. As part of the handover process, Ms Branton had prepared 10 typed pages of handover notes (**POL00448740**). Such notes comprised a high-level overview of the main structures within POL's corporate governance framework, summary details of key POL corporate governance procedures, along with the status of some ongoing matters. Aside from these meetings with Ms Branton, I do not recall participating in a specific, formal induction programme, or being provided with an induction schedule or specific induction materials.

11. In terms of the training received upon joining, I completed a small group, one-day training course called "Discovery" on 31 March 2022, following completion of an online "Discovery" training module via POL's SuccessFactors platform on 24

March 2022. I believe that the Discovery training course was a general training course all new employees at POL were requested to undertake, so the training was not necessarily specific to my role. I was also assigned the same training as that assigned periodically to other POL employees via SuccessFactors, whereby I would receive notifications in relation to any training that was to be undertaken. I exhibit a copy of my Learning Record from the SuccessFactors platform at **POL00448729**. This sets out the training modules I was assigned and had completed shortly after joining POL. Save for the foregoing, I do not recall undertaking any other formal training upon joining.

12. Looking back, I believe that the training and induction process for myself as Company Secretary was fairly limited. It is possible that this may have been because I was initially appointed to the role on an interim basis, namely on a six-month fixed term contract. However, the limited nature of the training and induction process meant that my early days in the role of Company Secretary were made somewhat challenging, in particular given my unfamiliarity with POL's relatively unique corporate governance arrangements.
13. I have also been asked whether I received any briefings, before or on joining the POL Board, in respect of the matters currently addressed by the Inquiry.
14. As per my Learning History Record (**POL00448729**), on 19 April 2022, I completed an online training module titled 'Group Litigation Awareness' via SuccessFactors. Whilst titled 'Group Litigation Awareness', my recollection is that the module did touch on historical Horizon IT issues and the previous POL prosecution of Postmasters. This module provided a high-level overview of the

history and nature of the dispute which was the subject of the Group Litigation Order (“**GLO**”). From memory, the training covered the two trials in the GLO, namely the Common Issues Trial and the Horizon Issues Trial, and provided a summary of both. I recall that the training also covered the High Court’s key findings in each of these two trials, as well as the changes implemented by POL since the Common Issues Judgment (“**CIJ**”) to culture and practices and procedures across the business to alter the ways in which POL worked with Postmasters. Whilst the training was provided online and of short duration (circa 30 minutes), I believe that it provided me with a very useful overview and starting point for building an understanding around the GLO, the CIJ and Horizon Issues Judgment (“**HIJ**”).

15. As per my Learning History Record (**POL00448729**), I also completed a Postmaster Complaint Handling module via SuccessFactors on 19 April 2022. My recollection is that the content of this training set out the key principles of the Postmaster Complaints Handling Policy. As with the Group Litigation Awareness training, whilst also being online and of short duration, the training did provide me with an awareness of what to do in the event of Postmaster complaints.
16. From my Learning History Record (**POL00448729**), I see that I also completed an online training module via SuccessFactors entitled ‘Week in the Life of a Postmaster’ on 24 March 2022. I am unable to recall the specific content of this training course.
17. Other than the training modules set out above, I do not recall receiving any specific briefings on the historical Horizon IT issues that are before the Inquiry,

the prosecution of Postmasters, nor the GLO, either before or on joining POL. My understanding of these issues developed over time on a gradual basis, mostly by reading materials prepared for Board and Executive meetings, as well as being privy to the related discussions at such meetings. In hindsight, it may have been helpful to receive more detailed briefing notes on these matters, and/or have the possibility to attend small group sessions with opportunities to ask questions. Having a more detailed appreciation of these issues may have assisted me in carrying out my role as Company Secretary more efficiently when I first joined POL.

Process for POL Board Meeting Agendas

18. I have been asked to set out the process by which matters are raised on POL Board meeting agendas.

19. Generally, as Company Secretary, potential matters to be included on upcoming Board agendas would be raised with me by the Chair, members of the Board, members of the Executive, and/or subject-matter experts ("**SMEs**") across the business. On some occasions, this may be as early as six months in advance. Following notification of a request for time on the Board agenda, I consider whether the matter is one that needs to come to the POL Board, as opposed to a decision that can be taken by an alternative forum acting under delegated authority. Additionally, I consider whether the matter warrants the allocation of presentation time on the agenda, or whether the matter can proceed by way of

an unrepresented noting paper. This is typically done by weighing up the nature of the request and the time available to the POL Board.

20. As well as items for POL Board agendas being added on the basis of the requests mentioned above, matters may also be added by reference to the POL Board forward planner. The POL Board forward planner is a document prepared ahead of the commencement of each financial year, which maps out matters due to come to the periodic POL Board meetings scheduled over the course of the year. This document aims to reflect requirements under POL's Articles of Association in respect of different approvals anticipated to be sought and the likely timing for these. An example would include consideration by the Board of the proposed annual budget and business plan ahead of the commencement of the financial year. The document also captures periodic regulatory reporting due to be considered by the Board, such as the annual Network Performance Report, along with periodic management information due to be provided to the Board. Where requests for a slot on POL Board agendas are agreed, these requests are also added to the Board forward planner. An updated copy of the POL Board forward planner is included in each POL Board pack.
21. In addition to adding items to the agenda by way of requests and by reference to the POL Board forward planner, items may be added to future agendas by virtue of matters arising during POL Board meetings themselves. These requests are then added to the POL Board forward planner.
22. Once an initial draft of the POL Board agenda has been prepared for the next

upcoming meeting, I send the draft to the Acting Chief Executive Officer (“**CEO**”), the Chief of Staff and the Deputy Company Secretary for review. In line with their insight into the business and knowledge of the progress of various matters, they may suggest additional items be added to the draft agenda, removal of certain items where they know matters have not sufficiently progressed to bring to the POL Board, or propose alternatives in relation to sequencing and structure. Following incorporation of their comments, the draft agenda is included within the meeting pack for the monthly Executive meeting. Any comments from that forum are also then incorporated into the draft agenda. I issue the draft agenda to the Chair two weeks prior to the POL Board meeting, and liaise with the Chair to incorporate any requested edits and answer any queries. Accordingly, while I am required to exercise a degree of judgement in relation to the strategic importance of potential matters when initially deciding on their inclusion, I generally adopt an over-inclusive approach and err on the side of caution. This is particularly given the draft agenda is subject to an additional process of review, refinement and amendment (if necessary) by a number of more senior individuals.

Process for Provision of Information to POL Board

23. I have also been asked about the process by which information is decided to be provided to the POL Board in advance of POL Board meetings. There are a number of different mechanisms by which information can be shared with the Board:

- a) The most common mechanism is the provision of documents which accompany agenda items. The vast majority of agenda items are generally accompanied by a Board paper, which provides detail on the nature of the agenda item and the request that is being made of the Board. However, as well as a Board paper, there may be additional materials provided to the POL Board for some agenda items. This might include legal risk notes or advice prepared by external counsel or externally prepared reports (for example, an externally-facilitated Board Effectiveness Review). Additional materials are provided to the Board where these are considered essential for the Board to take a properly informed decision.
- b) In the event a matter arises where it was not previously scheduled as a separate agenda item, that matter may be addressed by inclusion in a subsequent Board pack of a paper containing additional information that the Board has requested.
- c) The Board may also make requests for additional information to be included in management reports from time to time. Examples of this are requests for reporting on both fixed and variable Postmaster remuneration, as well as hardship payments in the CEO Report presented to the POL Board each meeting. Further examples include feedback the Board has provided on the format of the Retail and IT Dashboards since their introduction (as further discussed at paragraph 43(b) below). In the case of the Retail Dashboard, the Board requested that it be accompanied

by a paper providing narrative in respect of key issues, as well as the inclusion of a year-on-year comparison of metrics. In the case of the IT Dashboard, the Board requested the addition of narrative to explain the metrics contained in the IT Dashboard.

- d) The Board may also receive further or different information via Board feedback on the Board paper template. Generally, all Board papers must be produced in a manner consistent with the Board paper template and provide narrative as against the headings set out in the template. The Board paper template was reviewed in October 2022 when Ben Tidswell was appointed as Interim Chair. A number of edits were subsequently made to the Board paper template, which included removing certain sections that the Board did not consider helpful. The Board paper template is currently under further review with a number of suggested edits. Such edits include a new section where the paper author is required to identify which disciplines and who within those disciplines has been consulted ahead of the paper being provided to the Board. It is also proposed to include language in the case of funding requests, confirming that the request is within the POL Board approved annual budget.

- e) Where the urgency of an agenda item precludes the preparation of a Board paper or other materials, a verbal briefing will be provided to the Board. Occasionally, a programme update may be provided verbally.

24. The vast majority of proposed POL Board papers and materials for an upcoming

POL Board meeting are reviewed by the Executive in the first instance by way of a monthly meeting. That meeting is also attended by the Chief of Staff and Group General Counsel. If this group considers that a Board paper is not of sufficient quality, for example, where it is missing key information or where the paper is too operationally focused, then the paper may be removed from the agenda, or the paper author will be asked to edit the paper before it can proceed for submission to the POL Board. In the latter case, should the suggested edits remain inadequate or are not corrected in time for circulation of the Board pack ahead of the Board meeting, the agenda item may be removed and put onto the forward planner for the next POL Board meeting.

25. The Executive may make suggestions from time to time in relation to the overall approach to the information provided in POL Board papers. This was the case in early to mid-2023, when a number of new Board members joined. At that time, the Executive asked paper authors to be conscious of the knowledge change on the Board and to consider providing some high-level background in papers to assist incoming Board members.
26. After the Executive review process, the POL Board papers and materials are passed to me as Company Secretary for review. Ahead of publishing the pack to the POL Board, the Interim Chair has requested time be built in to allow the Interim Chair to also review the pack ahead of issue to the POL Board.
27. I have been asked to what extent I consider the amount of information provided to the POL Board to be sufficient. By way of general observation, there has been

a wider theme of papers going to the POL Board which are too lengthy and more operationally focused, as opposed to containing strategic content. This has led to POL Board packs being at times dense and long. Accordingly, whilst the POL Board may be provided with sufficient information, it may not be straightforward for POL Board members to discern relevant content against the volume of information provided. The length of POL Board packs may be attributable to factors such as the current CEO's lower delegated authority spend limit of £5m as against the £20m delegated spend limit of the previous CEO. This has resulted in lower-level and less strategic matters occupying POL Board time and adding to the length of Board packs. Another factor may be perhaps due to a sense of nervousness around decision-making within the business, and the desire to draw matters to the Board's attention in order to pre-empt any future blame or criticism which could be levelled at SMEs.

28. At the instigation of the Interim Chair, one of the ways to ameliorate this has been to reduce the maximum number of pages for a POL Board approval paper from seven pages to (now) four pages, and for a POL Board noting paper to be limited to two pages. The Interim Chair has also directed that the POL Board Reading Room be closed. I believe that these preliminary changes have led to some improvement in the content of Board papers. However, further progress is anticipated following the outcome of the Strategic Review. There is an expectation that Matters Reserved for the Board may be refined to enable the Board to focus more on strategic imperatives, with delegations perhaps widened to POL Board sub-committees and potentially the Executive. It is also anticipated

that the Strategic Review will allow a set of business KPIs to be prepared. Periodic reporting to the POL Board as against these should provide the Board with a holistic overview of performance across the business from time to time, as well as also allowing the Board the opportunity to assess for data correlations.

29. In addition to the Retail and IT Dashboards mentioned above, the POL Board recently received a Culture Dashboard which will be provided to the POL Board bi-annually going forward. Periodic reporting of management information on complex investigations and whistleblowing has also recently been provided to the POL Board, and I understand will similarly be provided on a periodic basis going forward.

POL CORPORATE GOVERNANCE ARRANGEMENTS

30. I am asked to set out my reflections as to the adequacy and effectiveness of POL's current corporate governance arrangements.
31. A number of changes to Post Office's corporate governance were addressed in my Second Witness Statement (dated 16 February 2024) provided on behalf of POL (**WITN11120200**). Further changes since this time have been set out in POL's reply to Rule 9 (58) dated 2 July 2024, which was accompanied by supporting documentation. POL's reflections on what certain documents indicate as to the effectiveness of POL's governance arrangements have also been covered in that reply. Accordingly, I do not propose to repeat the information in the above witness statements here, and will instead focus on my personal

reflections.

32. In preparing the first witness statement on behalf of POL (dated 20 February 2024) (**WITN11120100**), I was struck by the relative youth of POL's current corporate structure. As set out in that first witness statement, POL was separated out from the Royal Mail corporate structure in 2012, and the Shareholder assumed a direct capital holding in POL. Following separation, an independent POL Board was established, along with POL Board Sub-committees and executive governance forums. As mentioned elsewhere in this statement, the period between separation and the present has often been characterised by extreme internal or external crises. Similar to the comments I make later in this statement in relation to POL's cultural change (see paragraph 41), whilst some positive changes have been made to POL's corporate governance arrangements particularly in the post-CIJ/HIJ period to date, there have nonetheless been financial and operational constraints which have impacted on what has been achieved.

33. From my perspective, and in line with the findings in the Grant Thornton Governance Report dated 25 June 2024, there are a number of issues which seem to impact on both the adequacy and effectiveness of POL's current corporate governance. I set these out separately below.

a) **Strategy**

The Shareholder policy for POL was last reviewed in November 2010. Given the

significant changes in Post Office's core markets since this time, Post Office requested, and the Shareholder agreed, to conduct a policy review. I understand that this work remains ongoing. In the meantime, at the instigation of the Interim Chair, POL has initiated its own Strategic Review, the results of which are anticipated in Autumn 2024.

b) Core Constitutional Documents

Currently, POL's core constitutional documents, namely POL's Articles of Association, the Shareholder Relationship Framework Document, and the Funding Agreement are not in total alignment. This therefore increases the difficulty in effectively administering POL's constitutional documents. In addition, the Shareholder Relationship Framework Document is non-binding save as to confidentiality obligations, which creates some ambiguity as to the extent to which POL compliance is required.

On behalf of the Shareholder, UKGI provided a re-draft of the Shareholder Relationship Framework Document in July this year. Whilst an initial review of the re-draft is in process, it was felt sensible to wait for the outcome of the Strategic Review. If amendments to POL's Articles of Association, Matters Reserved for the Board and POL Board Sub-committee Terms of Reference are required as a result of the Strategic Review, all of POL's core constitutional documents including the Shareholder Relationship Framework Document can be reviewed and updated on a holistic basis. At the same time, POL will need to be cognisant of the evidence and findings of the Inquiry's appointed Governance

Experts, and consider how any findings impact POL's core constitutional documents.

c) **Corporate Structure and the Postmaster Voice**

As mentioned elsewhere in my statement, I believe there are opportunities for POL to reflect on the current ways in which the Postmaster voice has been brought into POL decision-making and corporate structure, and to consider whether there are alternative ways to amplify the Postmaster voice.

d) **Succession Planning and Corporate Memory**

Given the number of internal and external pressures as well as the changes in Chief People Officer, there appears to have been a limited amount of succession planning at the POL Board and Executive level in the last few years. As mentioned elsewhere in this statement, there has been much turnover in POL Board membership in the last few years. Most recent POL Board directors have served single terms, which has resulted in periods of reduced bench strength at a time when incoming POL Board members are in the process of gaining corporate knowledge.

e) **Leadership**

The last few years have been challenging for the POL Board, with three different Chairs in place and no Chair appointed for a number of months earlier this year. I believe that this the lack of Chair was keenly felt by all. The number of changes

at the Executive level have also had an impact.

f) **Procedures and Processes**

From my observation, the corporate governance procedures and processes in place at POL appear to be of varying quality. As mentioned in my statement at paragraphs 81 to 102, it would appear that some of the Speak Up matters (of which I am aware) appear to arise from perceived concerns in respect of the way POL has designed and implemented its procedures and processes.

g) **Culture**

As detailed elsewhere in my statement, current POL employees are acutely aware of the failings of the past. This appears to have resulted in an apparent reluctance to take decisions for fear of getting it wrong and therefore being liable to future criticism. This reluctance in turn results in decisions either stagnating or being pushed to more senior decision-making forums. Ultimately, more POL Board time is taken up with matters of less strategic importance, and there is diminished accountability on the part of less senior forums and individuals.

h) **Resource**

Whilst I believe there is a very dedicated POL Company Secretarial team in place, the team itself is small. Aside from the Chief of Staff, there is no dedicated

resource in place for operational governance. This gap in resource at operational governance level in turn impacts on the effectiveness of POL's corporate governance. I understand that corporate governance resource at the Department of Business and Trade ("DBT") is stretched also.

34. The above reflections are broadly consistent with the findings in the Grant Thornton Governance Report, commissioned by POL in October 2023, with the final report being provided in June 2024. They are also in line with the Grant Thornton Board Effectiveness Review, which was likewise provided in June this year. The Grant Thornton Governance Report and the Grant Thornton Board Effectiveness Review both set out a number of findings with which the POL Board is in agreement. Recommendations contained in both Reports are being progressed, with monthly progress updates being provided to the POL Board. Certain recommendations will not be progressed until the outcome of the Strategic Review is to hand. From my perspective, both these Grant Thornton reports have facilitated a focus on issues of concern in respect of POL's corporate governance and enabled progress to be made. I am hopeful that these two reports, the outcome of the Strategic Review, and the leadership of the Interim Chair will all have a significant impact on improving and progressing POL's corporate governance.

CULTURE OF POL BOARD

35. I am asked to describe the culture of POL at Board level and set out my

reflections as to the ways in which the culture has or has not changed since the issuance of the CIJ, or as a result of evidence arising in the Inquiry.

36. Relevant to this question is my period of tenure at POL. I commenced my role at POL in March 2022 and was appointed Company Secretary, originally on an interim basis, in April 2022. As the CIJ was issued in 2019, I am unable to provide any first-hand observations on POL Board culture before or immediately after the CIJ. However, I am able to share my perspective on POL Board culture from the period of my appointment to date.
37. In answering this question, it is important to note the POL Board composition and multiple membership changes since the CIJ, particularly during my period of appointment. I have set out a number of these changes below.
 - a) After the CIJ was issued, it was decided that there should be serving Postmaster representatives on the POL Board. The aim of including such representatives was to build a culture of inclusion for Postmasters at the POL Board level. The POL Board membership number therefore increased from eight directors to ten.
 - b) The two Postmaster non-executive directors (“**NEDs**”) were appointed to the POL Board in June 2021. In order to comply with the 2018 UK Corporate Governance Code principle that at least half the board, excluding the Chair, should be NEDs whom the board considers to be independent, a further independent NED was appointed in January 2022, namely Brian Gaunt, who provided a further voice to offer independent

challenge and brought unique logistics expertise. Mr Gaunt's appointment increased the POL Board size from 10 to 11, in line with the current Shareholder-approved POL Board composition.

- c) The Chair of the POL Board changed with Tim Parker stepping down in September 2022, Henry Staunton serving as Chair of the POL Board from December 2022 through to January 2024, and Nigel Railton's recent appointment as Interim Chair from May 2024. Mr Railton's appointment as Interim Chair of the POL Board has brought much welcomed leadership, and there is a feeling of everyone rising to bring their best to meet Mr Railton's high standards and sense of urgency.

- d) Lorna Gratton was recently appointed the Shareholder Representative NED on the POL Board, replacing Tom Cooper who had served on the POL Board from March 2018 through to May 2023. Ms Gratton has brought a different dynamic to the POL Board, adding diversity in age and gender, as well as providing an opportunity for a refresh and reset of the relationship the Board has with DBT and UKGI via the interface the Shareholder Representative NED provides.

- e) There has been a change in the Executive Directors on the POL Board, with Paula Vennells stepping down in April 2019 and Nick Read being appointed 16 September 2019. Alisdair Cameron has also recently resigned from the POL Board, after being absent from the Company and

the POL Board for over a 12-month period. There is currently no CFO/ Finance Director on the POL Board. In my view, with Mr Cameron's departure, the POL Board has missed the contributions of a further Executive Director, particularly given Mr Cameron's depth of corporate knowledge from having served on the POL Board since January 2015.

- f) There has been a complete change in the independent NEDs who served on the POL Board from the time the CIJ was handed down. Carla Stent and Ken McCall, who were both members of the POL Board at the time the CIJ was handed down, departed the POL Board in January 2022 and February 2023 respectively. Independent NEDs appointed immediately thereafter have also only stayed for single terms, namely Zarin Patel, Lisa Harrington and Ben Tidswell. Accordingly, three new independent NEDs were appointed to the POL Board between March and June 2023.

38. Given the successive changes to the POL Board membership as noted above, and in particular over the past year, I think it is relatively difficult to discern an established POL Board culture. This is especially given the fact that the culture has naturally moved and evolved by virtue of the individual director membership changes.

39. As mentioned above at paragraph 33.d)(d), the steady stream of POL Board director membership changes has resulted in knowledge loss and the removal of longer-term corporate memory from the POL Board. Prior to Tim Parker stepping

down, then followed by Ms Stent and Ms Patel, I believe that there had been a more stable and identifiable POL Board culture. This culture had been defined by the strong leadership of Mr Parker as Chair, who had encouraged and enabled contributions from all POL Board members. This resulted in an atmosphere of openness, as well as one in which corporate knowledge formed the foundation of strong debate; there was challenge yet also support provided for the Executive Board members.

40. It may be a fair observation to state that relationships between POL Board members have, on occasion, been tested. This is especially given the upheaval brought by changes in POL Board membership, the sometimes-differing views of the non-independent NEDs, the unprecedented circumstances in which POL is operating, and the significant amount that is being asked of each POL director. Despite, or perhaps because of this, I believe there is an emerging collegiate feeling amongst POL Board members, as well as a strong desire to collaborate together to overcome these challenges jointly. The influx of new POL Board members (namely with a further four new directors anticipated to join in the next ten months), along with the arrival of the Interim Chair and the undertaking of the Strategic Review, offers an opportunity for the POL Board to establish a fresh POL Board culture. This culture will be monumentally important, given the cultural osmosis that will naturally flow from the Board throughout the various layers of the organisation.

CHANGES TO CULTURE WITHIN POL

41. As noted above, I joined POL in March 2022 and so I am unable to comment first-hand upon changes undertaken immediately after the CIJ. I am aware, however, that following the CIJ and the HIJ in 2019, there has been significant focus upon improving the culture within POL. I will distil the steps made towards improvement in culture into key themes, and will then address whether, overall, these measures have been effective.

The Impact of the Covid-19 Pandemic

42. I understand that the focus on cultural improvements was diluted to a large extent in 2020 with the onset of the Covid-19 pandemic, but that there was a re-focus on cultural improvement activities in 2021. During the pandemic, most POL employees were required to work from home due to Government restrictions. In 2022, POL employees were encouraged to return to the office on a hybrid basis. POL moved to new offices in 2023 which had a lower desk count, and thus could not support the full workforce being present in the office at the same time. These developments may have hindered aspects of cultural change, as there were concerns regarding siloed working, where individual teams might attend the office at the same time and not mix more widely with employees from the wider business. There was also less opportunity for those working in a hybrid model to attend the office to witness and absorb desired changes to POL culture in person. That said, I believe the new office space to be fresh, modern and contains a

number of working spaces conducive to collaboration. Aside from the Chair and the CEO, no other employees, including members of the Executive, have a dedicated office. In my view, this visual arrangement has assisted with the removal of physical barriers to transparency and erodes notions of hierarchy. Moving to the new offices, which act as the new registered address for the Company, has gone some way to demarcating a line with activities carried out in the past, and has assisted us with our journey to a new corporate identity.

Oversight of Cultural Progress and Improved Metrics for Senior Management

43. POL has sought to enhance and measure cultural progress in a number of ways.
- a) The Improvement Delivery Group (“**IDG**”) was established in 2021 as an Executive-level committee, which, under its Terms of Reference, was responsible for providing oversight of improvement activities to ensure progress was made to achieve conformance against the findings of the CIJ and the HIJ. I understand that the IDG reported progress to the Executive. The CEO in turn then reported progress through to the POL Board via updates in the periodic CEO Reports provided to the POL Board.
 - b) During this time, the “CIJ Dashboard”, now referred to as the “Retail Dashboard”, was developed. The CIJ Dashboard was first included in POL Board packs in September 2022 and provided the POL Board with metrics on (*inter alia*) Postmaster Training and On-Boarding, Postmaster

Complaints, Cash Management, Transaction Corrections, Discrepancies and Postmaster Accounts, Accounting Dispute Resolution, Network Monitoring and Audit Support and the development of Postmaster policies. The CIJ Dashboard also set out the key activities being undertaken to improve performance against the metrics. Since this time the CIJ Dashboard, now the Retail Dashboard, has been regularly provided to the POL Board and the Executive. This, in my view, enables cultural change at the most senior levels in the business through the simple provision of basic management information. It allows the POL Board and Executive to have transparency in respect of key data points in relation to Postmasters and to maintain oversight of the implementation of Postmaster Policies.

- c) The Technology Dashboard was also developed during 2022, and was first provided to the POL Board in March 2023. The Technology Dashboard contains information in relation to Horizon operational issues including instances of remote access and details of the number and status of bugs, errors and defects in Horizon. I believe that the evidence provided by previous POL Board members at the Inquiry in relation to the lack of management information provided of the type that is now included in the Retail Dashboard and the Technology Dashboard has been keenly heard.
- d) IDG was re-purposed to become IDG2, and the Executive approved a fresh Terms of Reference for IDG2 in March 2023. IDG2 was responsible for further considering the findings in the CIJ, HIJ, and Hamilton judgment,

along with evidence from Phase 1 of the Inquiry, as well as assessing for ongoing conformance against the actions already undertaken by POL.

- e) In August 2023, the Ethos programme was initiated. My understanding is that this programme was launched with a view to bringing together the myriad strands of activity in respect of culture that had been undertaken since the CIJ. The Ethos programme sought not only to consolidate these activities within the banner of one programme, but also to serve as a vehicle to speed up cultural initiatives. The work undertaken as part of the Ethos programme showed that POL's organisational culture remained undefined, and that assurance and measurement of culture remained outstanding. Accordingly, cultural metrics were developed as part of the Ethos programme and reported to the Board by way of a culture dashboard in July 2024.

Changes to Board Structure and the Creation of Sub-Committees

- 44. POL has implemented a number of changes to its governance structures in light of the findings of the CIJ and the Inquiry in order to seek to ensure cultural change. I have set out some examples of such changes below.

- a) As discussed earlier in my statement, a new POL Board composition was introduced in 2021 to include serving Postmaster NEDs. The POL Board membership is now completely changed from the members of the POL Board at the time the CIJ was handed down, enabling change from Board

level down.

- b) POL has also established a further POL Board Sub-Committee to focus exclusively on Postmaster remediation matters. This is named the Historical Remediation Committee and it was created in 2021. The Historical Remediation Committee was renamed the Remediation Committee last year. This was because concerns had been raised by Postmasters that the use of the term 'historical' was not appropriate given the currency of the POL administered compensation schemes and that the experiences of Postmasters progressing through these schemes seeking remediation remained very much in the present. The establishment of the Remediation Committee demonstrated the importance to POL of continuing to address remediation issues. The reporting by the Remediation Committee Chair to the POL Board on the work of the Remediation Committee ensured the POL Board was kept regularly apprised and that remediation issues remained central to the POL Board agenda.

- c) In tandem with the creation of the Historical Remediation Committee, POL also established the Historical Remediation Unit. This is an Executive-level committee charged with operational responsibility for the delivery of remediation matters. As consistent with the re-naming of the Historical Remediation Committee, the Historical Remediation Unit was renamed as the Remediation Unit. The establishment of the Remediation Unit and its

highly-visible work, alongside the Remediation Unit Director's regular updates to the Executive, the Leadership Team and the wider business, has also assisted in demonstrating POL's commitment to address remediation issues. The updates provided to the wider business also cause POL employees to reflect on past matters and how they have affected their Postmaster colleagues.

- d) In addition to changes to composition of the POL Board, there has been a complete change in the membership of the Executive team since the date of the CIJ, including the appointment of a new CEO in September 2019. There is also a new Executive structure and Leadership Team and a Postmaster Director role has been created. The Postmaster Director role is now titled the 'Postmaster Experience Director', and this position is held by a serving Postmaster sitting as part of the wider Leadership Team. The Postmaster Experience Director role ensures that the Postmaster voice is injected at an Executive and senior leadership level and provides another bridge for Postmasters into the business.

Building Stronger Relationships with Postmasters

- 45. It has been recognised that POL's relationship with its Postmasters requires significant improvement. There is a desire for such improvement to start at Board and Executive level and filter through the rest of the business. Some examples of initiatives which have been developed are set out below.

- a) In order to demonstrate a desire for cultural change from the highest level of POL governance, POL has offered, via the Group CEO, to meet with any Postmasters affected by POL's past failings. Whilst I understand these meetings are incredibly difficult, they provide an opportunity for POL to apologise personally. It appears the weight of these meetings is not lost on the Executive attendees, which I believe gives added impetus for POL to continue every effort to address remediation issues and to continue with its cultural reform.

- b) POL has brought about various changes in the network field team, including putting in place a new team field structure. This is to ensure that every Postmaster has access to an Area Manager, who can act as the starting point for interactions with POL and provide an avenue for Postmasters to raise concerns.

- c) The "Perfect Day" project has been established, whereby senior leaders go to visit Postmasters in branches local to them to view readiness for the summer campaign. This provides another opportunity for interaction between POL senior leaders and Postmasters.

- d) "Christmas Helper" days have been reintroduced, whereby all POL employees are asked to assist in a branch over the peak Christmas period. This provides an invaluable opportunity for Postmasters and wider POL employees to work together and obtain insights into their respective roles.

- e) The 'Adopt an Area' programme is in play, which allocates senior leaders to Area Managers and requests that senior leaders visit branches within their area on at least a bi-annual basis.
- f) POL has created regular opportunities for POL employees to be sighted on Postmaster issues, such as having Postmasters recently attend and speak at the weekly '10@10' employee update session. A link was provided for POL employees to join a live stream of the annual Postmaster Conference, and POL employees are issued with copies of the same periodic correspondence that is sent to Postmasters.
- g) POL has introduced a set of Postmaster Support Policies to help reset the relationship with Postmasters and to underpin commitments that Postmaster contractual matters would be managed in good faith, fairly and transparently.
- h) I understand work has been undertaken on updating Postmaster contracts, which were heavily criticised in the CIJ. This is a continually-evolving process demonstrative of POL's desire to ensure that Postmasters receive contracts which are fit for purpose, clear, transparent and enforceable.
- i) POL has also ensured that Postmaster input has been sought in relation to NBIT, including in relation to system design and training. Postmaster

input is currently being sought from Teneo to ensure Postmaster involvement in the Strategic Review.

- j) Postmaster listening groups take place quarterly, whereby POL senior leaders meet with groups of Postmasters in different geographic locations. This provides an opportunity for Postmasters to speak openly, honestly and directly in respect of any issues or concerns. I understand that Postmaster forums were instigated in 2022 with the aim of involving Postmasters in issues on a regional level.
- k) POL Employee Engagement and Postmaster Sentiment surveys are now conducted on a yearly basis with bi-annual 'Pulse' surveys, and the results are shared throughout the business. This indicates a willingness on the part of POL to listen and learn and to be made aware of issues.
- l) Since joining POL I have been aware of Branch Hub. I understand POL introduced Branch Hub in 2020, and that this provides an online portal for the provision of POL information to Postmasters, including matters such as remuneration data, training, and onboarding materials. The Postmaster NEDs have spoken positively about Branch Hub and the usefulness of the information they can extract from it in running their branches.

Improvements in Employee Codes of Conduct, Policies, EDI, and Training and Development

46. It has been recognised within POL that further work was required on underlying standards and ensuring adherence to them. Accordingly, POL has implemented the following initiatives which are further intended to improve culture within the Company.

- a) POL has partnered with the Institute of Business Ethics ('**IBE**'). The IBE has carried out a review of POL's Code of Conduct, which resulted in the introduction of a revised ethical decision-making model which was introduced to POL employees.
- b) Strategic Objectives were introduced by POL in 2021 (which remain the same today) all of which centred around Postmasters. POL employees need to align their personal objectives behind delivering these strategic objectives.
- c) POL added behavioural weighting to employees' performance reviews in 2023. Employees are therefore not only assessed on what they achieve, but also assessed on how they achieve it. Additionally, POL has introduced compulsory 360-feedback for senior leaders to assist in establishing accountability for behaviour.
- d) A revised Post Office Behaviours Framework was introduced earlier this

year, which is included within the Performance Management process. The elements of the Behaviours Framework are designed so as to continue to break down the cultural conditions that led to previous failings.

- e) POL has also taken steps to focus specifically on positive leadership behaviour via the leadership development programme, 'Leading to Serve', in which approximately 400 senior colleagues have participated.

- f) There is mandatory annual training for all POL employees regarding the handling of Postmaster complaints, as well as to complete the GLO training (as mentioned at paragraph 14 above).

- g) Live Company-wide sessions have been run on the work of the Inquiry titled, 'The Post Office Scandal', which have been powerful and emotive. A mandatory e-learning module of the same name was also introduced earlier in the year. These training sessions have reinforced the difficulties that Postmasters have faced and have gone some way to ensure that culture in the business is shifting towards being more inclusive and supportive to Postmasters throughout all levels of POL.

- h) POL has further undertaken work in relation to its Equity, Diversity and Inclusion ("**EDI**") agenda, with the Executive agreeing EDI priorities in November 2022. Reporting on EDI is provided at Board and Remuneration Committee level, which demonstrates its importance to the

business. POL also provides support (including funding) to underrepresented employee groups, including groups supporting female progression within POL, LGBTQ+ employees, individuals of different religious/cultural backgrounds, and disabled/neurodiverse individuals. All POL employees are required to have one EDI objective. I understand a revised EDI strategy is being prepared and the role of Head of EDI has been introduced to provide capacity and capability.

Improved Controls and Policies

47. POL has also focused on internal controls. A Group Assurance function has been established to strengthen and deepen second-line capabilities. This sends a clear message to the business of the importance of establishing and operating within an internal control framework.

48. A further important initiative which impacts positively on culture relates to the actions taken in respect of whistleblowing and the encouragement to whistleblowers to follow the Speak Up Policy to ensure that POL can deal with matters of concern appropriately. More detail on the Speak Up Policy can be found at paragraphs 81 to 90 below.

Improvements in Culture following Inquiry Evidence

49. In relation to improvements made to culture as a result of evidence arising in the Inquiry, POL has treated the evidence arising from the Inquiry with the utmost

importance. Members of the Board, Executive and Leadership Teams have been encouraged to attend the Inquiry to understand the issues being discussed, to obtain an understanding of the evidence which is being given, and to ensure that learnings are brought back and changes made. It has been important within POL that all members of staff understand the importance of the Inquiry and the wider litigation which has taken place.

Effectiveness of the above changes in POL culture

50. As to how effective all the above activities have been, I reiterate my earlier comments in respect of the impact of the Covid-19 pandemic and the different working patterns adopted. It is also in my view relevant that there is a large group of fixed-term contracted employees in the business at present, given the work of the Remediation Unit and in relation to the programme to deliver NBIT. It may be that driving and embedding cultural change is more difficult given these groups within the POL employee base are not permanent members of staff, and thus may not be as invested in improving POL's culture as permanent employees. Another consideration is whether the above activities to drive cultural change have been as effective as possible, particularly having regard to the long tenure of some POL employees, who may have held certain views for an extended period of time.

51. The POL employee (**POL00446681**) and Postmaster surveys mentioned above also indicate that POL needs to take further action in order to bring about cultural change. Specifically, the POL employee survey highlighted increased employee

concerns (compared with results from the previous year) as to whether POL communications were open and honest. The POL employee survey also revealed some concerning results in respect of EDI, particularly in respect of disability and diversity, which I believe POL is taking very seriously. Whilst there was an increase in the percentage of employees who thought colleagues were held to account for their performance and behaviour, there appears to have been a decline in faith that senior leaders were leading by example.

52. The Postmaster survey results from FY23/24 (**POL00446704**) revealed a significant percentage of negative sentiment in terms of Postmasters feeling valued. It also indicated a lack of awareness of a number of the initiatives detailed above, which may perhaps suggest a need for better communication of those initiatives.
53. The Grant Thornton Governance Report noted issues around a lack of trust, accountability and performance management. I understand that POL senior leadership has taken these findings very seriously and has implemented a number of steps to address these issues, some of which have been set out above.
54. Overall, I feel that the above activities have driven change. However, I believe that cultural reform will need to be in continuing focus, given its importance in defining a new POL.

BUILDING A RELATIONSHIP OF TRUST WITH POSTMASTERS

55. I am asked to comment on whether the culture at POL supports the building and maintaining of trust between POL and Postmasters, managers and assistants. I will deal firstly with the culture in the wider POL business, and will then discuss the culture towards Postmasters at Board level.
56. As set out above at paragraphs 41 to 54, significant work has been undertaken in respect of cultural reform following the CIJ, including focusing on the engagement between POL and Postmasters and their managers and assistants.
57. I would consider that there is potential scope for improvement in POL's culture towards Postmasters. However, I feel that there is a genuine and ongoing desire and commitment within the business for this to improve, which continues at present. From a corporate perspective, POL separated from the Royal Mail group in 2012. Accordingly, POL's current corporate structure is fairly young for a large corporate body. Since 2012, POL has also faced a number of external significant events, for example Brexit, the COVID-19 pandemic and the cost of living crisis. Each event has led to varied internal challenges requiring dedicated focus and resource, and which may have served to distract from POL's desire to be more Postmaster-centric.
58. One of the particular challenges faced by the business when seeking to improve culture overall was brought on by the COVID-19 pandemic. This led to an extended period of POL's corporate staff working from home, followed by a hybrid working model and less office working. This has caused difficulty in

seeking to establish and maintain a consistent culture across the business: Senior managers who can instil good culture in their teams are less visible to all due to working patterns, and staff are more regularly working in isolation. This is one of the matters which might pose a challenge to building and maintaining a healthy and focused culture.

59. It is nonetheless my current view that POL's existing culture may not have yet reached the point of promoting a relationship of perfect trust between POL and Postmasters, managers and assistants.
60. The culture at Board level is much more favourable towards Postmasters, managers and assistants, and there is a lot of respect for the valuable work that Postmasters and their teams carry out. However, there has been some recent change at Board level, with Tim Parker leaving in September 2022, followed by Henry Staunton in January 2024. This has led to a lack of consistent leadership. It may also have had an impact on the Board's ability to influence culture as it could otherwise have done in circumstances where there is a constant leader setting the cultural 'tone from the top'.
61. Since June 2021 (after the issuance of the CIJ), two Postmaster NEDs have been appointed on the POL Board to ensure that Postmaster interests are adequately represented at Board level. Both have served their first three-year terms and have 12-month extension periods. POL is currently recruiting for two new Postmaster NEDs to join the Board with one incoming Postmaster NED anticipated to join in the Autumn of 2024 and the other in June 2025.

62. The Postmaster NEDs are very active on the Board and are keen to contribute to discussions, which encourages a healthy and open culture at Board level. Both serve on additional Board Committees and regularly exceed their contracted hours as Board members. The challenge the Board faces is to ensure that Postmasters' issues and concerns can be effectively aired within the business, and dealt with appropriately, whilst ensuring that the Board maintains its strategic focus and does not get side-lined by operational matters.

POL BOARD'S RELATIONSHIP WITH POSTMASTERS

63. I am asked to summarise my experience of the POL Board's relationship with and approach towards Postmasters.

64. As indicated at paragraph 37 above, there are two Postmaster NEDs on the POL Board, which assists the POL Board with having an understanding of the needs of and challenges faced by Postmasters. In my view, the Board is respectful towards Postmasters, being acutely aware of their central role in delivering the social purpose of the Company. There would, of course, be no POL if not for Postmasters.

65. By having serving Postmasters on the POL Board, POL Board members are able to interact regularly with Postmasters and receive insights into issues and concerns affecting Postmasters. As part of the incoming induction programmes for all POL directors, visits to Post Office branches local to the relevant Board member are arranged. Additionally, the Chair and Nick Read (as an executive

director) attend the Postmaster conference. At the request of the POL Board, the results of the Postmaster survey were presented to the POL Board on 8 July 2024. Whilst previously a summary of the survey results had been provided, this was the first time the survey results had been presented to the POL Board in a separate session. Going forward, the results of the Postmaster pulse surveys and annual surveys will be presented to the POL Board to enable the Board to obtain more immediate insight into Postmaster issues and concerns.

66. Although there is respect for Postmasters at POL Board level, the POL Board has the difficult job of addressing the needs of Postmasters against the wider interests of POL. There may be occasions where Postmasters' needs and desires (as communicated by the Postmaster NEDs and Postmasters directly) are in competition with those of other stakeholders, and may not be in alignment with the needs of the Company or the Shareholder. I have discussed this further at paragraphs 123 to 124 below.

67. I also believe the Board is incredibly conscious of the past wrongful convictions of Postmasters. It is therefore intent on building an adult-to-adult, mutually respectful, and trusting relationship between POL and Postmasters.

POL BOARD'S RELATIONSHIP WITH OTHER STAKEHOLDERS

68. I am asked to summarise my understanding and experience of the POL Board's relationship with relevant external stakeholders. There are a number of key stakeholders which I will discuss in turn.

- a) **National Federation of Subpostmasters (NFSP):** My understanding is that the relationship with the NFSP is held at Board level primarily via interactions with the CEO. I understand that the CEO attends the NFSP annual conference, and that the NFSP CEO and other NFSP members have a line of communication into the CEO in order to liaise on issues of concern from time to time. The POL Board is advised via the CEO of the issues raised as required. It is also made aware of NFSP views on certain matters, such as the NFSP statement regarding the Company's Postmaster NED roles dated 8 April 2024. My recollection is that this statement was sent to the POL Board and scheduled for discussion at an informal meeting of the NEDs around this time. In addition, amendments to the Grant Framework Agreement were recently settled with the NFSP and these amendments were reported through to the POL Board, albeit with a request from the POL Board for a more detailed note on the amendments. Where relevant to POL Board decision making, the views of the NFSP are incorporated into corresponding papers provided to the POL Board, in order that the POL Board is able to take the views of the NFSP into account.
- b) **Communications and Workers Union (CWU):** Similar to the above, my understanding is that the relationship with the CWU, as well as with Unite the Union ("**Unite**") (namely the other main union of which Post Office employees are members) is held at the Executive level. Specifically, I am aware of the two previous Chief People Officers liaising frequently with the CWU and Unite during periods of proposed or actual industrial activity

and whilst pay negotiations were ongoing. The Chief People Officer would in turn report to the CEO and the wider Executive, and the POL Board would be updated on strategic developments and the status of the relationship as required.

- c) **Fujitsu:** My understanding is that the relationship between the POL Board and Fujitsu is mainly handled via liaisons between the CEO and his counterpart at Fujitsu. The POL Board would be updated by the CEO in respect of strategic matters pertaining to the relationship, and would also be involved in strategic matters regarding the Horizon system.
- d) **UKGI/ DBT:** I would describe the POL Board's relationship with UKGI and DBT as live and active. The POL Board has a number of interfaces with UKGI, including through the Shareholder Representative NED on the POL Board, Lorna Gratton, who also sits across all five of the POL Board's sub-committees. Ms Gratton works to ensure that the POL Board and POL Board Committees are informed of the views of the Shareholder (where these are known), so that such views can be taken into account by the POL Board in their decision-making. I understand that POL Board members such as the Chair, the Group CEO, and the previous CFO also had direct dealings with UKGI in respect of various issues from time to time. Historically, there had also been a visible POL Board relationship with the Shareholder, with different POL Board members meeting with the Secretary of State, the Minister for Postal Affairs, and DBT officials from time to time, as well as regular correspondence passing between POL

and DBT (in some cases via UKGI). With the changes of government and the Chair, these relationships with the incoming Secretary of State and Postal Affairs Minister are in the process of being established.

There are structured aspects to the relationship between the Shareholder, UKGI and POL, as set out in the Shareholder Relationship Framework Document. This includes the provision by the Shareholder of a Chair Objectives Letter on an annual basis. There is reporting on progress as against those objectives on a periodic basis, principally via the Quarterly Review Shareholder Meetings, which I understand are attended by the Chair, the Group CEO, and the CFO. UKGI and DBT officials also attended a POL Board meeting last year, which encouraged collaboration between the entities, in order to assist one another to achieve their respective goals. I note also that the former Secretary of State attended the POL Board meeting in March earlier this year and that the former Minister for Postal Affairs attended a POL Board meeting in 2023.

CURRENT COMPOSITION OF POL BOARD

69. I am asked to comment on the current composition of the POL Board with regards to experience, expertise and abilities. The current Board comprises the following members:

- a) **Interim Chair:** Nigel Railton – appointed 24 May 2024. Mr Railton is Chair of the Nominations Committee, a member of the Remuneration and

Remediation Committees and a standing invitee and attendee at the Audit, Risk and Compliance Committee and the Investment Committee.

b) **Executive member:** Nick Read, CEO – appointed 16 September 2019. Nick is Chair of the Executive, Chair of the Improvement Delivery Group 2.0, and serves as a member of the Inquiry Steering Committee (all of which are Executive level sub-committees).

c) **Independent NEDs:**

i) Andrew Darfoor was appointed on 20 June 2023. Following Ben Tidswell's stepping down on 9 July 2024, Mr Darfoor has been appointed as the POL Board's Senior Independent Director ("**SID**") and has also taken over as the POL Board Investigations Champion. In addition, Mr Darfoor is the Chair of the Investment Committee and serves as a member of the Audit, Risk and Compliance Committee.

ii) Amanda Burton was appointed on 27 April 2023. Ms Burton is Chair of the Remuneration Committee and a member of the Nominations Committee. Ms Burton is also the POL Board Whistleblowing Champion.

iii) Brian Gaunt was appointed on 25 January 2022. Mr Gaunt is Chair of the Remediation Committee and a member of the Remuneration Committee.

iv) Simon Jeffreys was appointed on 23 March 2023. Mr Jeffreys is

Chair of the Audit, Risk and Compliance Committee and serves as a member of the Nominations Committee.

d) **Postmaster NEDs**

i) Sarfaraz Ismail was appointed 3 June 2021. Mr Ismail serves as a member of the Nominations Committee.

ii) Elliot Jacobs was appointed 3 June 2021. Mr Jacobs serves as a member of the Audit, Risk and Compliance Committee and the Investment Committee.

e) **Shareholder Representative NED:** Lorna Gratton was appointed on 12 May 2023. Ms Gratton sits as a member across all five of the POL Board's sub-committees.

70. Overall, I regard the POL Board as being comprised of competent and capable directors. Collectively, they have experienced the successes and challenges of professional life in executive, non-executive, and entrepreneurial roles, which allow them to bring a steady senior perspective to the POL Board. It is, however, a fairly new Board with four Board members who have been in their roles since Spring/ Summer of 2023 (Andrew Darfoor, Amanda Burton, Simon Jeffreys and Lorna Gratton), as well as one member (Interim Chair Nigel Railton) who was appointed in May 2024.

71. The current Board is also operating without a Finance Director, given Alisdair

Cameron's resignation on 24 June 2024. While there is an Interim CFO in place, this individual will not be appointed as a POL Board director. A recruitment process to appoint a permanent Finance Director will be considered in due course.

72. Several of the POL Board members have backgrounds in professional services, for example Amanda Burton, Simon Jeffreys, and Andrew Darfoor. Their experience and professional status are invaluable to the POL Board given their understanding of the running of large, multi-faceted professional services organisations. In the case of Ms Burton, this is from her experience as a lawyer, and for Mr Jeffreys and Mr Darfoor, in their roles as chartered accountants. All of this brings a depth of technical professional knowledge to the POL Board.
73. The Board benefits from the operational retail experience of Nick Read, the unique logistics experience of Brian Gaunt, and the business acumen of Andrew Darfoor. Each of these individuals have formerly held CEO positions, so they are well-placed to appreciate the support and challenge the Executive may need.
74. Our serving Postmaster NEDs have been instrumental in driving POL to improve its operational excellence. Both contribute generously and with stark honesty their perspectives on the reality of being serving Postmasters, as well as their and other Postmasters' experiences of the interface with the Company.
75. Lorna Gratton, the Shareholder Representative NED, is very helpful in informing the POL Board and POL Board Committees of the Shareholder's perspective. She works constructively with the Board, Executive and members of the business

across all issues relating to the Shareholder, including assisting with funding submissions and facilitating applications to the Shareholder for consent matters.

76. Following a request at the June 2024 POL Nominations Committee meeting, a skills matrix exercise in relation to the POL Board was undertaken. The survey was issued on 18 June 2024 and closed on 26 June 2024. The survey requested that POL Board members evaluate their technical expertise in the main markets in which POL operates, and also assess their governance and soft skill competencies. The results of the skills matrix exercise were compiled and a short paper was presented with the results to the July 2024 POL Nominations Committee meeting.
77. In light of the upcoming vacancies in POL Board membership, as well as the proposal (which was subject to now-obtained Shareholder approval) to commence a campaign to recruit two new independent NEDs, the Nominations Committee considered the results of the POL Board skills review. In doing so, the Board considered how the results might inform the skills, experience, knowledge and diversity sought in incoming POL Board members, given the anticipated strategic imperatives of the Company in the next few years.
78. As a result, job descriptions to fill the roles of Ben Tidswell (who stepped down from the POL Board on 9 July 2024) and Brian Gaunt (whose term expires on 28 January 2025), were prepared. In terms of job descriptions, a first candidate with a successful background in technology, with associated experience in data and

cyber resilience, was sought. A second candidate with a successful background in transformation, with associated experience in people matters, organisational design and implementation was also sought.

79. As well as recruiting for the roles above to fill skills gaps in technology and enhance bench strength in transformation, the Board, in my opinion, would also benefit from having a more diverse membership. There are currently only two women appointed as POL Board members, out of a total of eleven members. The racial composition of the Board is also imbalanced and needs to be addressed. POL is a business with a diverse Postmaster base, and this should be reflected in the POL Board composition. The Nominations Committee is alive to these issues, and the job descriptions used for the recruitment campaign specifically call out the need for the Company to have a well-rounded Board that reflects society. This is in line with POL's commitment to EDI. The job descriptions will hopefully encourage candidates who can share varied perspectives, insights and experiences with the POL Board, so that the POL Board is best able to meet the changing needs of customers, Postmasters and the Shareholder.

Representation at POL Board Level

80. I am asked to provide my view on the desirability of having different categories of professionals on the Board. Taking each category in turn, my response is as follows:

a) Postmaster representation on the Board

- i) As discussed above at paragraph 37, following the CIJ, a decision was taken by POL that there would be two serving Postmaster NEDs on the POL Board, to ensure that the Postmaster voice was brought into the most senior corporate governance forum at Post Office. To that end, Mr Jacobs and Mr Ismail were appointed to the Board on 3 June 2021. Both are passionate, enthusiastic and committed Board and Committee members, who give their time, energy, and views well beyond their contractual commitments.
- ii) With Mr Ismail and Mr Jacob's initial three-year terms set to expire in June 2024 (which, however, have now both been extended following Shareholder approval until June 2025), this prompted reflection as to whether the inclusion of serving Postmasters on the POL Board was the most effective mechanism for bringing the Postmaster voice into Post Office.
- iii) Being non-independent Postmaster NEDs, Mr Ismail and Mr Jacobs do occasionally recuse themselves on the basis of personal conflict matters, and accordingly do not participate in some Board and Committee decisions. Notwithstanding this, the bar for conflicts in the case of Mr Ismail and Mr Jacobs has been established on a pragmatic basis, so it is only in the case of exceptional personal

conflicts that they would recuse themselves.

- iv) Although in my view the conflict situation is workable, a possible alternative could be that Postmasters are appointed as observers to the POL Board. This would still bring in the Postmaster voice, and would also resolve any potential conflict matters. Nonetheless, I do believe that on occasion it may be challenging for the Postmaster NEDs to comply with their director's duties to promote the success of the Company for the benefit of the Shareholder, taking into account a number of factors, including the views of other stakeholders. This may be especially the case where there is potential non-alignment between what would be beneficial for Postmasters as against the Company, other stakeholders and/or the Shareholder.

- v) A further possible alternative or additional way to ensure the Postmaster perspective is considered could be to appoint more serving Postmaster representatives within the Executive structure of POL. At the POL Board level, I have observed the strengths of the Postmaster NEDs in respect of operational matters within POL, which are within the purview of the Executive team. The insights of the Postmasters NEDs might obtain further 'cut through' for Postmasters, if Postmaster representatives were appointed within the Executive structure. It may be that incorporating the Postmaster voice in this manner could also be more satisfying for any Postmaster representatives who were to take up these roles. Notwithstanding the

above, the promise made to Postmasters following the CIJ was that there would be two serving Postmasters appointed to the POL Board. Accordingly, in keeping with this promise, a recruitment campaign is currently underway for two incoming serving Postmasters to join the POL Board, one in Autumn 2024 and another in June 2025, subject to Shareholder approval.

- vi) My personal view is that, whilst having Postmaster representatives on the POL Board has been overall positive and beneficial, if the current corporate structure were to continue, then there could be further discussion around optimising incorporation of the Postmaster voice, as I have discussed above. Alternatively, if a revised corporate structure were to be introduced such as a mutual, this could arguably be more conducive to having Postmaster representatives at the POL Board level. This is given Postmasters would still be obliged to comply with the director's duty to promote the success of the Company for the benefit of members, but the members would be Postmasters rather than the current Shareholder in that case.

b) Legally-qualified Board members

- i) In my view, having at least one POL Board member who is legally qualified is vitally important. The Group General Counsel at POL is not a member of the POL Board, but instead will attend and provide

legal advice to the POL Board as required. However, the interim Group General Counsel is proposed to attend POL Board meetings going forward as an observer. One of the NEDs, Amanda Burton, is legally qualified and has worked in both private practice and as General Counsel in a number of different organisations. Ms Burton would often identify when a legal issue has arisen upon which separate advice is required, in circumstances where other Board members might not pick up on such legal issues. It is also helpful to have a lawyer on the POL Board to analyse any legal advice that has been provided to it, and to challenge such advice where appropriate. In addition, having a Board member with legal training who also understands the nuances of legal privilege and can explain this to the wider Board can be helpful when any legal advice is received by the Board.

c) Board members with IT experience

- i) As I alluded to in paragraphs 78 to 79, I believe it is imperative that the POL Board has a Board member with IT/ technology experience. This is particularly given the current IT transformation programme at POL. Having an independent NED who is able to both support and challenge the Executive throughout the implementation and delivery of such a programme would seem essential.

WHISTLEBLOWING AT POL

Adequacy and Effectiveness of POL's Current Whistleblowing Policies

81. I have been asked to set out my reflections on the adequacy and effectiveness of POL's current whistleblowing policies and procedures.
82. By way of background, I understand that in 2019, following the findings of Fraser LJ in the CIJ that there was a "*culture of excessive secrecy*" within POL, a review of the adequacy of POL's whistleblowing policies and procedures was undertaken. Since then, significant improvements have been made, including establishing the 'Speak Up' Policy ("**the Policy**"). A further policy named The Group Investigations Policy has also been created, which governs how internal Speak Up investigations are conducted.
83. The process of investigating Speak Up concerns was subsumed into the Central Investigations Unit ("**CIU**") in February 2022 in order to ensure a centralised approach to triaging and investigations, as well as a consistency in reporting. An analyst joined the Speak Up team in August 2022 to ensure lessons learned are carried forward into the relevant parts of the business.
84. The Speak Up team receives reports via a third-party system. This ensures anonymity of the reporter should they wish, and POL is unable to identify a reporter through this system if the reporter does not wish to be known. Speak Up reports once received are triaged. If the concerns raised relate to Board or

Executive members or are in relation to strategic or highly-sensitive issues, the Board may consider these and an external investigation may be instigated. Where the matters do not reach this level, an internal investigation (rather than an external one) will typically be conducted.

85. The Policy is reviewed annually by the Head of the CIU, the Executive level Risk and Compliance Committee as well as the POL Board Audit, Risk and Compliance Committee with issues arising from the previous 12 months reviewed and remedied as appropriate.
86. I understand that a review by EY dated 1 June 2023 made a number of recommendations to improve Speak Up processes, which resulted in changes to the Policy and additional recruitment to service the increase of Speak Up reports.
87. I also understand that annual reviews of the Assurance and Complex Investigations (“**ACI**”) Unit take place both internally and by an external body in order to provide assurance in respect of the work of ACI including Speak Up. This provides greater reassurance that the Policy continues to be an effective system for whistleblowing complaints to be raised and investigated.
88. A trend analysis shows an increase in the volume of reporting through the Speak Up process and that matters of greater severity are being reported. This may be reflective of the establishment of trust in the Speak Up function.
89. I am asked to provide my views on whether the culture in POL actively

encourages whistleblowers to speak openly and honestly about their concerns.

90. I believe that the culture in POL, following the CIJ, enables whistleblowers to raise any concerns in respect of the business fully and honestly. This is reflective of POL's commitment to delivering a culture of openness and transparency. My view is based on the following POL initiatives and processes:

- a) Significant efforts have been made to establish and publicise the Policy internally.
- b) Periodic reminders on the Policy are issued to POL employees and Postmasters to ensure awareness of the Policy and the avenues through which to raise a Speak Up matter.
- c) Monthly reporting is provided to the POL Executive in respect of Speak Up matters to enable Executive oversight over their number and nature.
- d) Periodic reporting on Speak Up matters has also commenced to the POL Board, although significant matters will be briefed to the POL Board on an out of sequence basis where required. There is a POL Board NED Speak-up Champion (currently Amanda Burton). Having Speak Up reporting provided regularly to the most senior governance forums in POL emphasises the cultural importance of Speak Up and aids with wider awareness and visibility of the Policy.
- e) The content of the Speak Up reporting that was provided to the POL Board

in July 2024 shows approximately a doubling in the reporting of Speak Up matters, if a comparison is made between January 2023 and May 2024. This appears to demonstrate an awareness of the Policy and a willingness to raise matters of concern via the Speak Up process.

- f) A key factor in developing an open and frank “speak up” culture is to ensure that whistleblowing anonymity is paramount. The POL Board is alive to this, and I am not aware of any discussion as to the identity of any whistleblower in respect of Speak Up matters that have been brought to the POL Board for consideration.

91. I am also asked whether I am aware of anyone having ‘blown the whistle’ within POL since the findings of Fraser LJ in a matter relevant to the issues being explored by the Inquiry.

92. My awareness of whistleblowing matters derives predominately from my attendance at POL Board and committee meetings convened to discuss specific and significant Speak Up matters, as well as through the provision of reporting materials to the POL Board in respect of the status of Speak Up matters. To my recollection, I have attended one POL Board and two POL Nominations Committee meetings where the meetings were specifically convened to consider Speak Up matters, as set out below.

Speak Up matter regarding the election of Postmaster NEDs

93. I attended a meeting of the Nominations Committee on 12 April 2022, which had met to consider the conclusion of a Speak Up investigation into the process leading to the election of the Postmaster NEDs. The investigation found process failings, including that not all applicants had the same access to information relating to a potential appeal process and that the appeals process had not been uniformly applied. The investigation concluded that the process was not procedurally fair. A secondary finding of the investigation was that key decisions in the process had not been adequately documented. The Nominations Committee endorsed the recommendations arising from the investigation, which were that consideration was to be given to the following matters:

- a) whether the Postmaster NED recruitment process should be repeated earlier than the planned three-year term to provide all Postmasters with an equal opportunity to be appointed;
- b) whether the whole Postmaster NED recruitment process should be subcontracted to an independent organisation for the next round of elections;
- c) whether the POL Retail division should issue communications explaining the findings of the investigation and that some areas for improvement were identified and were being implemented for the next election, in order to reinforce POL's commitment to deal with Speak Up issues seriously

and comprehensively; and

- d) whether the Green Park part of the process (namely the review by external search agents) was required to be reviewed by the Network Team.

Speak Up matter relating a senior member of POL management

94. I attended a further meeting of the Nominations Committee on 29 June 2023. The Committee met to consider the outcome of an external investigation into a number of allegations relating to a senior member of POL management, including allegations in respect of breaches of Company policy and procedure. Based on the findings of the external investigation, the Nominations Committee endorsed the recommendation of the CEO that the individual should not be confirmed in post (they were in their probation period at the time). Rather, it was recommended that their contract should be terminated.

Speak Up matters considered at 5 July 2023 Board

95. The next meeting that I am aware of in which a Speak Up matter was considered by the POL Board was a POL Board meeting of 5 July 2023. The meeting was specifically convened for the purpose of considering the Speak Up concerns raised. A Speak Up complaint had been communicated directly to the Chair of the POL Board, and thus it was considered at Board level. The Speak Up complaint involved a number of allegations, including concerns relating to the NBIT teams and the conduct and competence of certain members of the

Executive. I will address each in turn.

96. Two principal concerns in respect of the NBIT teams were raised, as follows:
- a) that information provided to the Executive and the CEO was presented by the NBIT teams in a skewed manner to prompt certain outcomes, which meant that past decision-making in respect of NBIT was flawed; and
 - b) that information security elements of design and testing of the new branch technology system were turned off, for reasons which did not take into account the long-term impact on the reliability of the system.
97. As a result of the Speak Up notification, Nick Read advised the POL Board that KPMG and Accenture had been requested to undertake a review of the NBIT programme. The scope of the review was to include determining the reasons for delay in respect of the project. A secondary purpose of the review was to ensure that the position in relation to bugs, errors and defects in the new system was understood. Nick Read also advised that changes to the Executive were proposed with a Chief Transformation Officer due to be engaged, that NBIT and the Retail Transformation Programme would be combined, and that a further POL Board sub-committee would be established, which would include in its remit oversight of the NBIT programme.
98. The POL Board referenced two earlier Speak Up matters where similar concerns

had been raised in respect of NBIT testing. It was noted that internal investigations were already underway to evaluate those concerns. Given the similarity of the issues raised, it was determined that the earlier internal investigations and the concerns discussed at the 5 July 2023 Board meeting would be combined into one investigation.

99. Pinsent Masons and Grant Thornton were engaged to independently investigate. The POL Board has been most recently informed of the status of these investigations by way of a pack published to the POL Board via Diligent on 16 August 2024. It is understood that the investigations into the matters raised are expected to conclude by the end of September 2024.

Concerns relating to the conduct and competence of members of the Executive

100. Allegations were also raised in the Speak Up complaint regarding the conduct and competence of certain members of the Executive. The POL Board agreed that: (1) the allegations in respect of conduct should be referred to the CIU for internal investigation with specialist external support; and (2) issues raised in respect of competence could be dealt with under the Company's grievance procedure.

Allegations of potential bullying, wrongdoing and sexist behaviour

101. Another whistleblowing matter that I am aware of is in relation to allegations raised in September 2023 of potential wrongdoing, bullying and sexist behaviour

by POL and certain named individuals. The potential wrongdoing appears to relate to concerns of POL processes not being followed as well as the Executive knowledge that existed around this. An external investigation was commissioned, and the investigation report was delivered to the Investigation Steering Group comprised of Amanda Burton and Lorna Gratton in April 2024. The recommendations from this report were adopted and have been or are in the process of being actioned.

Speak Up matter regarding the handling of compensation claims

102. The final Speak Up matter that I am aware was also briefed to the Board in July 2024. It relates to allegations that senior contractors in POL's Remediation Unit slowed the pace of the handling of compensation claims in order to extend their contract duration at POL. An external law firm was engaged to conduct an investigation and the Investigation Oversight Group (an Executive/ Leadership Team level group) is maintaining visibility. I understand that there has been no evidence to date which would support the concerns raised and that a draft report was expected circa 29 July 2024.

Speak Up matter regarding destroying or concealing material

103. A further whistleblowing complaint which I am aware of was included in the August 2024 Board update. It involved allegations that a senior Post Office member of staff had instructed their team to destroy or conceal material of possible interest to the Inquiry, and that the same individual had engaged in inappropriate behaviour. I understand that this is being dealt with appropriately

given its serious nature. The POL employee in question has been suspended. I further understand that the POL Board has been updated periodically on developments with this Speak Up matter, most recently in the briefing document that went to the POL Board in August 2024.

SHARING LEGALLY PRIVILEGED INFORMATION WITH THE BOARD

104. I have been asked about my understanding of legal professional privilege, the extent to which legally privileged information may be shared with the POL Board, and whether the provisions for sharing of such information is sufficient.

105. Given my legal background, I have a working understanding of legal professional privilege and the circumstances in which it applies. I understand legal professional privilege protects disclosure of certain confidential communications, and comprises both legal advice privilege and litigation privilege. In short, legal advice privilege protects communications between a lawyer and a client made for the sole or dominant purpose of giving or receiving legal advice. Litigation privilege protects communications between lawyers or their clients and any third party, created for the sole or dominant purpose of obtaining advice or information in connection with existing or reasonably contemplated litigation.

106. In general, where legally privileged information is provided to the POL Board, it is done so within confidential and secure parameters to ensure that any privilege attaching to the information is maintained. All POL Board papers and documents shared with the POL Board, including those which contain privileged information,

are generally provided through the secure platform, Diligent. Restrictions are in place so POL Board members and most others with access to Diligent are unable to print, download, or amend any of the POL Board papers or associated materials from Diligent. The starting point is therefore that confidentiality and legal privilege is maintained in respect of papers and materials containing legally privileged information shared with the POL Board. Where POL Board papers and/or materials containing legally privileged information are to be shared between POL and UKGI/ DBT, it is usually made clear that such sharing is strictly on a common interest privilege basis.

107. Where there are significant decisions before the POL Board for which the input of external counsel has been obtained, external and internal counsel may be invited to be present at the POL Board meeting when the relevant agenda item is discussed. If legal advice is provided to the POL Board during such meetings, the POL Board meeting minutes will reflect the privileged nature of the advice and the section will be marked along the lines of "*confidential and subject to legal privilege*". As noted above in this statement, the current composition of the Board includes an independent NED who is a senior lawyer with extensive legal experience. I am aware that on occasion, the POL Board has formally delegated authority to waive privilege (if required) to this legally-qualified NED (and previously to Ben Tidswell, who has now stepped down from the POL Board), believing them best placed to consider and assess the sometimes-complex issues arising in respect of privilege.

108. While there are certainly mechanisms to ensure confidentiality and privilege is

safeguarded when legal advice is provided to the POL Board, there is also possibly scope for improvement. I note that in the recently-completed Grant Thornton Governance Report, a copy of which has been disclosed by POL to the Inquiry, one of Grant Thornton's recommendations was to close down the POL Board Reading Room. This refers to the Reading Room within Diligent, to which POL Board members would on occasion be directed in order to review confidential and/or privileged documentation, such as legal risk notes and advice given by external counsel. At the instruction of the Chair, this recommendation has been actioned. Accordingly, POL Board members are now instead provided with an in-text hyperlink within the POL Board paper itself for ease of access to legal advice, rather than being required to navigate away from the POL Board paper and locate the relevant advice in the Reading Room in Diligent. I believe that this change should improve the ease of POL Board members accessing legal advice notes where they have been provided.

109. Whilst specific information and guidance in respect of privilege and confidentiality are not included in the corporate governance set of materials provided to incoming POL Board Directors as prepared by the Company Secretarial Team, directors' responsibilities in respect of confidentiality obligations are set out in POL Board Director's Letters of Appointment. As part of the Induction process, POL Board Directors meet with the Group General Counsel, and privilege and confidentiality issues may be discussed during these meetings. Additionally, the Board has recently considered issues relating to the potential waiver of privilege (as mentioned above), which has provided POL Board members with a refresher

on privilege and confidentiality issues.

110. I do not recall encountering any documents provided to the POL Board expressly covered by litigation privilege since I have joined as Company Secretary. Should such documents arise, my understanding is that the measures to maintain privilege and keep such documents confidential would be the same as that for legal advice privilege, as discussed above.

111. As to whether the arrangements for sharing legal information with the POL Board are sufficient, since joining the POL Board as Company Secretary, I can only recall perhaps one or two occasions where a POL Board Director requested a copy of an underlying external legal advice in respect of a matter on which the POL Board was required to take a decision, where the underlying legal advice itself had not been previously provided to the POL Board. On those occasions, at the request of the POL Board Director, the external legal advice was subsequently provided to the POL Board ahead of any decision being made. From my recollection, the POL Board Director raised queries in respect of the external legal advice which were subsequently addressed, and a further version of the external legal advice was provided to the POL Board prior to a decision being taken.

112. My impression is that the POL Board are attuned to the circumstances in which internal/ external legal advice might reasonably be expected to be received by the POL Board, including regarding matters of significant commercial impact, or where the POL Group's risk appetite and/or risk tolerance in respect of legal risks may be compromised.

113. Similarly, under POL's Group Legal Policy (which has been previously disclosed to the Inquiry), the Group General Counsel, the Group Legal Director and the Interim Inquiry General Counsel have authority to raise and escalate concerns or matters of material legal risk, current or emerging, directly to the POL Board. I am not aware of these individuals being reticent to raise concerns in respect of material legal risk with the POL Board.

114. Since joining POL, I have sat within the wider legal, compliance, assurance, risk and secretariat team. Re-commencing an earlier practice, the Group General Counsel, Legal Director, and Heads of Legal are provided with early sight of draft monthly agendas for meetings of the POL Board, the Audit, Risk and Compliance Committee, and the Executive. This is in order that they may consider whether legal advice is required, has been prepared, and/or has been provided in respect of the relevant agenda item(s). This early review process assists in ensuring that any prospective agenda items which may carry legal risk and/or where legal advice may be required are considered at an early stage, so that internal or external legal advice can be obtained and provided to the POL Board in a timely manner.

KEY EVENTS

The Times Article dated 19 February 2024

115. I have been asked to set out my understanding of the matters raised in The Times

article entitled "*Postmasters on Post Office board 'ignored and unwanted'*" dated 19 February 2024 ("**the Article**").

116. By way of background, my understanding of the relevant chronology leading up to the publication of the Article is as follows:

- a) In June 2021, Mr Jacobs and Mr Ismail were appointed as Postmaster NEDs. I have discussed at paragraphs 61 and 62 above the role of Postmaster NEDs and their appointments.
- b) In September 2022, following information provided to Mr Read by the Chesterfield office, an internal investigation was commenced by POL into Post Office branches owned by Mr Jacobs.
- c) In the subsequent months, I understand that several meetings occurred with Mr Jacobs to discuss the investigation. This included a meeting between Mr Jacobs and Mr Staunton on 1 March 2023, as well as a meeting between Mr Jacobs and Mr Foat on 3 March 2023. I was not present at either meeting.
- d) In September 2023, Mr Staunton and other NEDs were informed of the outcome of the internal investigation.
- e) In October 2023, it was agreed that no further action was required in respect of the matter.

- f) On 24 January 2024, there appears to have been an email drafted by Mr Jacobs to Mr Read regarding the culture that Postmasters are “*guilty*” and “*on the take*”, and the fact that the POL investigations department is “*out of control*”. I did not personally have sight of this email.
- g) On 27 January 2024, Mr Staunton was removed as Chair of the POL Board.
- h) On or around 9 February 2024, I understand that a closure letter in respect of the POL internal investigation was sent to Mr Jacobs.

117. While I did not have substantive involvement in the POL internal investigation, I am aware of the following matters:

- a) I believe that Mr Jacobs and the members of the POL investigations team may not have ‘gelled’. This may have been because of some matters on which I understand Mr Jacobs was questioned during the interview.
- b) I understand that Mr Jacobs found the investigation experience to be extremely unpleasant. While the Board was alive to Mr Jacobs’ feelings about the investigation process, alternate views were expressed that any form of investigation, whether by POL or otherwise, would not be an inherently positive experience. The view at POL Board appeared to be that it was right and fair that Mr Jacobs undergo a proper investigative process to establish the facts of the matter, as it did not wish for there to be any suggestion of favouritism or special treatment towards POL Board

members.

- c) I understand that Project Pineapple was subsequently established to inquire into the complaints raised by Mr Elliott in relation to the POL investigation team. I was not, however, copied into any of the correspondence in respect of Project Pineapple. I myself have also never seen the leaked memo referred to in the Article.

118. In hindsight, while it was certainly important to ensure that there was no appearance of bias or special treatment, in my view perhaps further thought could have been given as to whether sufficient support was extended to Mr Jacobs during the investigation process. This is especially given the events that have occurred in POL's recent past regarding its investigation processes. Moreover, the fact that Mr Jacobs did not necessarily come from a professional services background, and therefore may not have had the same degree of experience as other POL Board members in dealing with some of the matters which I understand were raised during the investigation, could also have been taken into consideration. For my part, Mr Jacobs' experience will be taken as learnings and, where relevant, reflected in the design of induction processes and training materials for the incoming Postmaster NEDs, as further discussed at paragraph 124 below.

119. In terms of the other issues raised in the Article, I am not familiar with the details of the meeting that Mr Staunton had with the Secretary of State. My limited understanding is that, during the meeting, Mr Staunton was told that the

Conservative government anticipated “*limping through*” to the next election. I believe this was apparently interpreted by Mr Staunton as a directive to POL to reduce spend on compensating Postmasters ahead of the election, which would require the slowing down of the administration of the POL-administered compensation schemes. I am not aware of the circumstances around the Secretary of State’s alleged comment that “*someone has to take the rap*”, and I never personally spoke to Mr Staunton in relation to these matters.

120. I have also been asked to set out my reflections on the statement of Mr Jacobs as quoted in the Article, namely that he and Mr Ismail were “*ignored and seen [...] as an annoyance*” by other members of the POL Board.

121. This statement in the Article was provided at a time when Mr Jacobs and Mr Ismail’s initial three-year terms as Postmaster NEDs were due to expire. It is possible that they may have felt a heightened sense of judgement from stakeholders on what they had been able to achieve for Postmasters during their terms at this time. The statement in the Article may therefore have been informed in some way by this sentiment.

122. The internal POL Board Effectiveness Review from FY22/23 (**UKGI00044328**) noted the positive contributions of the Postmaster NEDs, particularly in bringing the POL Board closer to the business. My belief is that the POL Board has always had regard for the Postmaster NEDs and valued their perspectives and insights, given their lived experience as serving Postmasters. Throughout their tenure, both Mr Jacobs and Mr Ismail have been very active members of the POL Board. They seem to have taken every available opportunity and met every ask of them

to assist. I do not recall any instances during POL Board meetings where Mr Jacobs or Mr Ismail's views were not acknowledged, or where a dismissive attitude was taken by other Board members towards their contributions.

123. I reiterate my comments above in paragraph 66 in respect of the current corporate structure of the Company, as well as directors' duties under the Companies Act 2006 to promote the success of the Company for the benefit of the Shareholder, taking into account a number of factors including the views of stakeholders.

124. Addressing the perception of Postmaster NEDs feeling ignored or side-lined may require clearer communication and expectation-setting in respect of directors' duties at the beginning of Postmaster NED terms. Mr Jacobs and Mr Ismail, as inaugural Postmaster NEDs, were provided with additional training on matters such as directors' duties and conflicts of interest, as well as tailored training by external providers regarding operating in a board environment. I note that one of my current objectives is to review and update the induction process and materials for the incoming Postmaster NEDs to reflect the learnings touched upon in this section of my witness statement. This will be in consultation with Mr Jacobs and Mr Ismail, including obtaining their feedback in relation to the calibre of the induction materials they received, the contents of their induction programme and how it was sequenced, as well as whether there are other materials or processes they would consider useful for incoming Postmaster NEDs based on their experience. Subject to Shareholder approval, a new Postmaster NED is

anticipated to join the POL Board later this year in October/November 2024, and another in June 2025. It is anticipated that the revised induction programme for Postmaster NEDs will be in place by that date to ensure that the previous learnings from Mr Jacobs and Mr Ismail's time on the Board are incorporated.

Dismissal of Henry Staunton

125. I am asked to set out my understanding of the circumstances leading to the dismissal of Mr Staunton on 27 January 2024.

126. As noted above, Mr Staunton commenced as Chair of the POL Board on 1 December 2022. In January 2024, the Shareholder provided written notice to POL, addressed to me, advising the Shareholder was exercising their right under POL's Articles of Association to remove the Chair. As Company Secretary, I was aware of a number of events leading up to Mr Staunton's dismissal, as set out below.

127. The first event relates to Mr Staunton's annual performance appraisal. Mr Staunton's appraisal was due to take place in January 2024, being 12 months after Mr Staunton was appointed as Chair. I prepared the draft documents relating to the Chair's appraisal process, working with the SID, Mr Tidswell, as well as the UKGI team (including Ms Gratton). UKGI requested that the appraisal process proceed, and accordingly by mid-January 2024, I was ready to issue the documents to the POL Directors (aside from Mr Staunton) in order to commence the appraisal process. However, prior to such documents being issued, Mr

Staunton instructed me to stop the appraisal process on the basis of other pressures within the business at the time. I advised the SID, Mr Tidswell, of Mr Staunton's communication on 22 January 2024 (**POL00448741**).

128. The second event relates to the process in respect of appointing a SID to the POL Board. Under the 2018 UK Corporate Governance Code, the appointment of one of the independent NEDs to be the SID is a matter for the Board, rather than the Shareholder. My recollection of the relevant chronology for this matter is as follows:

- a) Mr Tidswell, as the SID, indicated to Mr Staunton in August 2023 that he would be stepping down following the expiry of his contractual term in July 2024.
- b) At the end of August 2023, Mr Staunton requested that the SID appointment matter be placed on the agendas for consideration at the POL Nominations Committee and POL Board meetings in September 2023.
- c) Following the September POL Nominations Committee and POL Board meetings, meetings were arranged in October 2023 with each of the POL Board Directors, Mr Staunton and myself, with the exception of Alistair Cameron (who was on medical leave), Mr Tidswell (as the outgoing director), and Ms Burton (where the meeting was attended by the Deputy Company Secretary instead of myself). These meetings centred on two

principal issues: first, whether the incoming SID appointment should be an external candidate or an internal one drawn from the current POL Board group of independent NEDs, and second, whether, if an external candidate were to be appointed, what would be the knowledge, skill set and diversity of characteristics the Board wished to see in this candidate. At this point, the Shareholder had expressed a strong preference for an external appointment with the candidate having Whitehall experience (**POL00448731**). There was no consensus on the POL Board as to whether the incoming SID should be an internal or external appointment, as well as the preferred requirements of the candidate's knowledge and skill set.

- d) With opinion equally divided, Mr Staunton determined that, given the Shareholder's strong preference, an external candidate with public sector experience in an executive or NED position should be recruited. I therefore sent an email to the POL Board to advise of this position on 25 October 2023 (**POL00448738**). A paper to this effect was prepared for the POL Nominations Committee meeting in November 2023, which sought a recommendation from the POL Nominations Committee to the Shareholder as to the recruitment campaign. This included matters such as the search agency to be engaged, the job description, and members of the evaluation panel. Following approval of the POL Nominations Committee, Shareholder approval was also obtained in December 2023 to proceed. Work progressed on the recruitment process into January

2024.

- e) On 17 January 2024, Mr Staunton emailed seven POL Board members to advise that there had been a change in sentiment amongst the directors, and that seven of the POL Board members now favoured an internal rather than an external SID appointment. The Shareholder Representative NED was not included in this correspondence (**POL00448728**).

- f) On 18 January 2024, Mr Staunton requested that I review my notes from the previous meetings with the POL Board directors, in order to remind him of their preferences as to which existing independent NED should be appointed as SID if the appointment was to proceed on an internal basis. I emailed Mr Staunton a summary of my notes the same afternoon (**POL00448739**).

- g) On 20 January 2024, Mr Staunton emailed the POL Board to advise that an internal candidate had been appointed (**POL00448673**). Mr Staunton noted the appointment was yet to be approved by the Nominations Committee, the POL Board, and the Shareholder. He also noted that the remit of the recruitment campaign approved by the Shareholder would need to be altered. In the same email, Mr Staunton instructed me to halt the recruitment process for the external SID and advise the external search agency to stop its search. I did not feel that I could follow Mr Staunton's instruction at the time, given the requisite governance procedures had not been followed, and this approach was not in line with

the existing mandate from the Shareholder.

129. The third event relates to an investigation by external counsel into conduct allegations raised against Mr Staunton via Speak Up in September 2023. I am aware that the investigation comprised allegations into sexist and racist language. I was not, however, substantively involved in this investigation.

130. I note also that Mr Staunton appeared to have a relatively tense relationship with the Shareholder Representative NED, who was appointed to the POL Board from May 2023.

131. I understand that the SID, Ben Tidswell, advised Carl Cresswell of his concerns in respect of Mr Staunton in the days ahead of the decision by the Shareholder to remove Mr Staunton.

132. Ultimately, I believe that the above circumstances materially contributed to Mr Staunton's removal as Chair of the POL Board on 27 January 2024.

Resignation of Alisdair Cameron

133. I am asked to set out my understanding of the circumstances leading to the resignation of Alisdair Cameron on 25 June 2024. I note that Mr Cameron's resignation from the POL Board was effective 24 June 2024, aligning with the information in the notification made to Companies House.

134. I set out my understanding of the relevant chronology below.

- a) On 5 May 2023, the Chair of the Inquiry published a statement regarding POL's 2021/2022 Annual Report. It stated that the Solicitor to the Inquiry had written to POL on Sir Wyn's behalf, seeking clarification on a "*misleading and inaccurate statement within POL's Annual Report and Consolidated Financial Statements 2021/2022 which had recently been brought to [his] attention*". The Solicitor to the Inquiry asked POL to clarify, in particular, the reference to the Inquiry Support metric, which was marked as being "*Achieved*" in POL's 2021/2022 Annual Report.
- b) On the same day, the CEO, Mr Read, wrote to Sir Wyn personally apologising on behalf of POL for the incorrect statement in its Annual Report and Accounts for 2021/2022. He acknowledged that the statement had implied that Sir Wyn and his team had "*commented on the outcome of a remuneration metric targeted at senior leaders involved in the vital task of transformation within the Post Office*". Mr Read acknowledged that POL had not sought Sir Wyn or his team's view on the proposed metric or their agreement to it (including as to whether it had been met), and that these were "*unacceptable errors*". Mr Read noted that he himself had returned the money awarded in respect of this remuneration metric, and that the Board was considering the position in respect of awards made to other senior leadership beneficiaries in connection with that metric. The letter also noted that POL would be publishing a statement of clarification on its website and he was going to ask the Board to pass a resolution to include a clarification in the Annual Report and Accounts for 2022/2023.

- c) I understand that Mr Cameron took medical leave around this time, possibly from 7 May 2023 onwards. Mr Cameron did not attend any further scheduled POL Board meetings after taking medical leave up until his resignation.
- d) On 9 May 2023, Lisa Harrington, as Chair of the Remuneration Committee, announced that she had commissioned an internal review into the awarding of payments in relation to the Inquiry Support metric. The review was to be led by Amanda Burton, a POL NED, who had joined on 27 April 2023.
- e) On 10 May 2023, the Minister for Postal Affairs informed the House of Commons that DBT was commissioning an independent review into the governance of POL's remuneration practices in respect of the Transformation Incentive Scheme ("**TIS**").
- f) Ms Burton prepared a report to the POL Board entitled "*Review of the Transformation Incentive Scheme (TIS)*", dated 2 June 2023 ("**the Burton Report**"). The Burton Report involved a review of the circumstances in which the Inquiry Support metric in the TIS and Annual Report and Accounts had been included.
- g) On 16 June 2023, law firm Simmons & Simmons were appointed by the Minister for Postal Affairs to conduct an independent review into the

governance practices of, and the decisions made by, POL's Remuneration Committee in relation to the Inquiry Support metric.

- h) On 20 June 2023, the Business and Trade Select Committee held a non-inquiry session in relation to the TIS and the Inquiry Support metric.
- i) The S&S Review was published in August 2023. It found (inter alia) that there were aspects of POL's governance in relation to remuneration that would "*benefit from further consideration*", as they did not align with best practice for a private corporation, albeit this was to be balanced against the public nature of the company.

135. In line with Mr Cameron's executive responsibilities for POL's financial reporting, my understanding is that there may have been sentiment within the business that the incorrect statement in POL's Annual Report and Accounts for 2021/2022 was somehow attributable to Mr Cameron. To my knowledge, the relationship between Mr Read and Mr Cameron had at times been mixed. One possible reason may be due to the circumstances around which Mr Read was appointed as POL CEO in September 2019. Prior to his appointment, Mr Cameron held the position of Interim CEO from April 2019 to September 2019. Both Mr Cameron and Mr Read had applied for the CEO position. Mr Read was ultimately successful, notwithstanding the fact that Mr Cameron had been employed by POL since 2015.

136. Being very conscious that Mr Cameron was absent from the business on medical

grounds, I did not wish to disturb Mr Cameron. Accordingly, any engagement I had with Mr Cameron whilst he was absent from the business was restricted to limited matters. I sent some emails to Mr Cameron requesting that he consider two POL Board written resolutions. I also continued to copy Mr Cameron on email correspondence issued to the POL Board. Aside from the People team, Mr Cameron's Executive Assistant, and Mr Read earlier this year, I do not know whether anyone else in the business corresponded with Mr Cameron during this period. Mr Cameron's resignation as a director of the POL Board became effective on 24 June 2024.

CONCLUDING REMARKS

137. When I joined POL in March 2022, it was on the basis that the brand very much resonated with me. For me, it was, and still is, very important to work for an organisation with which I have affinity. The Post Office, with its social purpose and status as a cherished British institution, was certainly consistent with this desire. Moreover, I have postal service in the blood. My maternal grandfather and great-grandfather both served as Postmasters in their small Australian town. My mother spent most of her working life at Australia Post, and still continues to undertake work with them on a part-time basis.

138. When I joined POL, I did not anticipate that my feelings of pride in my position would also be tempered with feelings of corporate shame. While I was not present during the events of the past, I nonetheless identify with these feelings by virtue of my present association with the Company. I, together with many

others at POL, deeply sympathise with those who have been affected by the past actions of the Company. Hearing the accounts of those who have suffered, in particular during the course of this Inquiry, has been painful and disturbing. I cannot begin to imagine experiencing such events first-hand.

139. For my part, my impression is that POL, in the present day, is far from impervious to the hurt caused by past wrongs. While improvements can certainly be made, I believe that POL has taken and is continuing to take steps to acknowledge and recognise these wrongs, which has driven a reflective and penitent tone throughout the organisation. This has, in turn, created a determination to bring some sense of closure for those affected and to forge ahead with change for the better.

I believe the content of this statement to be true.

Signed: GRO

Dated: 29 August 2027

Index to First Witness Statement of RACHEL SCARRABELOTTI

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control Number</u>
1	POL00448730	Group Company Secretary Job Description	POL-BSFF-WITN-020-000015
2	POL00448740	Handover Note from Veronica Branton to Rachel Scarrabelotti dated March 2022	POL-BSFF-WITN-020-000014
3	POL00448729	POL SuccessFactors Learning History Record (Rachel Scarrabelotti) as at 7 August 2024	POL-BSFF-WITN-020-000013
4	WITN11120200	Second Witness Statement of Rachel Scarrabelotti (dated 16 February 2024)	WITN11120200
5	WITN11120100	First Witness Statement of Rachel Scarrabelotti (dated 20 February 2024)	WITN11120100
6	POL00446681	POL Engagement (Employee) Survey 2024	POL-BSFF-097-000009
7	POL00446704	POL Survey Results FY23/24 (Postmaster, Strategic Partner, Colleague, Culture Indicators)	POL-BSFF-097-000032
8	UKGI00044328	POL Board Effectiveness Review FY22/23	UKGI054535-001
9	POL00448741	Email chain between Ben Tidswell and Rachel Scarrabelotti concerning the Chairman's Annual Appraisal dated 23 January 2024	POL-BSFF-WITN-025-000099
10	POL00448731	Email from Lorna Gratton to Rachel Scarrabelotti concerning the appointment of the Senior Independent Director dated 9 October 2023	POL-BSFF-WITN-025-000095
11	POL00448738	Email from Rachel Scarrabelotti to Henry Staunton, Ben Tidswell, Brian Gaunt, Saf Ismail, Elliot Jacobs, Amanda Burton, Alisdair Cameron, Nick Read, Simon Jeffreys, Lorna Gratton and Andrew Darfoor (copying in others) outlining the Chairman's parameters for appointing the Senior Independent Director dated 25 October 2023	POL-BSFF-WITN-004-0051697
12	POL00448728	Email from Henry Staunton to Nick Read, Elliot Jacobs, Saf Ismail, Andrew Darfoor, Brian Gaunt, Amanda Burton, Simon Jeffreys (copying in others) reconsidering the Senior Independent Director role dated 17 January 2024	POL-BSFF-WITN-006-0030018
13	POL00448739	Emails between Rachel Scarrabelotti and Henry Staunton outlining opinions on the appointment of the Senior Independent Director dated 18 January	POL-BSFF-WITN-006-0030140

2024			
14	POL00448673	Email from Henry Staunton to Ben Tidswell, Lorna Gratton, Amanda Burton, Saf Ismail, Elliot Jacobs, Andrew Darfoor, Brian Gaunt, Simon Jeffreys, and Nick Read (copying in others) confirming the appointment of an internal SID dated 20 January 2024	POL-BSFF-WITN-004-0055742