

Witness name: Nick Read
Statement No: WITN00760300
Dated: 13 September 2024

THE POST OFFICE HORIZON IT INQUIRY

THIRD WITNESS STATEMENT OF NICK READ

1. I, Nick Read, will say as follows:
2. I have aimed to include within this witness statement evidence relating to all matters or issues detailed in my personal Rule 9 request, dated 18 July 2024, insofar as the relevant facts are within my own knowledge. The facts in this witness statement are true, complete and accurate to the best of my knowledge and belief. Where my knowledge and belief, as set out in this witness statement, has been informed by another person or by documents that I have reviewed, I acknowledge that person or those documents. I have been assisted in preparing this witness statement by Stone King LLP who act on my behalf and for the purposes of fact checking, Burges Salmon LLP and Fieldfisher LLP (together "BSFf"), who act on behalf of Post Office in respect of the Inquiry. I have had meetings with Stone King and BSFf to assist my preparation of this statement.

3. I have ordered my answers, which are a combination of factual recall and personal reflections on the questions as follows:

Part A: Professional background and interview process, training and induction (paragraphs 5 – 25).

Part B:

- Overall culture of the organisation, including relationship with Postmasters (paragraphs 26 – 97);
- Corporate governance and the culture of Board/SEG/other stakeholders (paragraphs 98 – 139);
- Horizon and Strategic Platform Modernisation Programme (“SPMP”); (paragraphs 140 – 155)

Part C: Redress and Compensation (paragraph 156 – 228); and

Part D: Other Matters (paragraphs 229 – 308).

4. Please note that under the final Other Matters section, I have set out what I hope is a high level summary of my personal reflections.

Part A

Professional background and interview process

5. I have been asked to summarise my educational and professional qualifications, and to summarise my career background including my appointment at Post Office Limited (“Post Office”).

6. In terms of my educational and professional qualifications, I have a Bachelor's degree in Business Studies from the University of Buckinghamshire (1991 – 1992) and a Master's degree in Business Administration (an 'MBA') from the Cranfield School of Management (1997 – 1998).

7. I summarise my career as follows:
 - a) 1985 – 1989: Officer in the British Army.

 - b) 1993 – 1997: Purchasing Director at Aldi UK.

 - c) 1998 – 2001: Manager at Deloitte Consulting.

 - d) 2001 – 2005: Customer Service Director at Tesco.

 - e) 2005 – 2009: Director of Distribution, Sales, Service and Business Banking at HBOS.

 - f) March 2009 – December 2011: Customer Experience Director at Lloyds Banking Group, following the acquisition of HBOS by Lloyds.

 - g) January 2012 – May 2013: Commercial Operations Director at Vodafone UK.

 - h) November 2013 – December 2014: Group Customer Service Director at Thomas Cook Group.

 - i) January 2015 – October 2017: Chief Executive Officer ("CEO") of Nisa Retail.

 - j) April 2018 – July 2019: Group CEO of ExtraEnergie GmbH.

 - k) September 2019 – to date: Group CEO of Post Office Limited.

8. My career has been built through gaining experience in retail, operations, corporate strategy and leading customer and service functions in both B2C (Business to Consumer) and B2B2C (Business to Business to Consumer) multinational organisations. Prior to leading the Post Office, I had two large scale leadership roles as a CEO in challenged organisations. As a result, I have experience in crisis management and turnarounds and specialise in stabilising, modernising and developing growth strategies in struggling and failing businesses. This was, for example, my experience at Nisa where I was brought in as CEO with the goal of turning the business around. When I joined Nisa, it was facing serious governance, cultural and financial issues, having breached its banking covenants, overstated its income and recorded its first ever loss. It also had much publicised governance issues which necessitated significant change. During my tenure, the business stabilised, became profitable and was ultimately sold to the Co-Op. Nisa is also a franchise business (which notably include Post Offices in many of their branches), and it took time for me to build trust with Nisa franchisees following the company's instability and governance issues.
9. I was approached by Russell Reynolds Associates (a recruitment agency) in around April 2019 regarding the position of CEO of Post Office. The position specification [POL00448890] included a list of performance and personal competencies required for the position, including: executive experience in either retail, multi-site, financial services, consumer services or logistics, with a strong understanding of the customer experience and ideally franchise operations; experience in complex and/or regulated environments; experience of data, digital and the use of technology in optimising customer and business outcomes;

experience of working with multiple stakeholders; someone 'politically savvy'; the ability to lead improvements in both efficiency and effectiveness; significant experience of leading Executive teams and significant engagement with boards; someone who could complete the Post Office's transformation journey; and to complement the culture and dynamic of the Executive and Board. Importantly, it was stated that the next phase of Post Office's transformation was to become commercially sustainable (without seeking further funding from Government).

10. On reading the job specification, I recall thinking my skills and experience could be a good match for what was needed. Throughout my career I had gained experience of retail, customer services, financial services and regulated environments, and as mentioned, having recently been the CEO of Nisa, I had a good understanding of franchise businesses in the retail sector which required transformation and change. I went through an interview process which, as far as I recall, involved: two interviews with Russell Reynolds; interviews with the Post Office Chairman at the time, Tim Parker; panel interviews with the Post Office Nominations Committee ("NomCo"); and meeting the Minister for Postal Affairs, Kelly Tolhurst. I also recall having some informal discussion with Non-Executive Directors ("NEDs") (though I cannot specifically recall whom).
11. Going into this interview process, my understanding was that Post Office wanted a CEO who could modernise the Post Office and bring the commercial, strategic and operational experience required to work towards financial sustainability, without recourse to Government subsidy. The interview process reinforced my understanding that this is what the Post Office Board was looking for in a CEO.

12. Before and during this interview process I familiarised myself with Post Office and was therefore aware that Post Office was facing litigation from Postmasters connected with allegations of historic bugs in the IT system and the requirement for Postmasters to repay shortfalls. I did not at that stage have a detailed understanding of what the litigation involved, nor the Postmaster's allegations, and had not, before being appointed, read the actual Common Issues Judgment ("CIJ") (as opposed to summaries). The job specification did not mention the litigation, and as far as I recall it was not mentioned during the interview process. The job specification also did not state that Post Office needed to oversee a large scale and complex IT transformation project (i.e. replacing Horizon); again, as far as I recall, this was also not mentioned to me during the interview process. I had no indication that a significant part of my role would be a profound cultural change of the scale needed, dealing with the litigation or its implications, or in delivering a large-scale IT transformation: these issues were never presented to me as priorities during the interview process. At this stage of the recruitment process I did not get the impression that the issues with Horizon presented urgent or fundamental challenges to Post Office and that they would need to be addressed as a priority. The Horizon Issues Judgment ("HIJ") was not of course issued until three months after I started, and I was given no indication in the job application of issues associated with that litigation (indeed before applying I was not aware of that litigation).

13. The final stage of my interview process was to deliver a presentation to the Post Office NomCo on the strategic opportunities for the Post Office in the future. I delivered this on 11 June 2019 and prepared a PowerPoint presentation

[POL00448889]. In preparing this, I had reflected on what I thought the strategic priorities of Post Office were. As there had been litigation, it was clear that the relationship with Post Office's franchisees (i.e. Postmasters) was strained and I was certain that any prospect of building a strong partnership and developing and modernising the Post Office would be hampered by ongoing litigation. At this stage this was a commercial perspective and was based upon my experiences of managing franchisees at Nisa: my view was that it was not good for business for Post Office to be in litigation and it needed to be resolved so that Post Office could move forwards and focus on other commercial matters. It is clear to me now that I did not have a proper appreciation at this time of the scope or magnitude of the injustice that the Postmasters had faced.

14. I was offered the job of CEO of Post Office in July 2019 and accepted it later in that month. I started the position on 16 September 2019.
15. On 4 September 2019, around a week before I started at Post Office, I had dinner with the then Chairman of Post Office, Tim Parker. I wanted to understand from him what he believed to be the main issues facing the Post Office. This was an important dinner for me, so I made notes on my phone afterwards of what we discussed. In order to produce these notes in a format to exhibit to this statement, I have copied them into an email to my solicitor dated 28 August 2024 **[POL00448897]**.
16. My understanding was that I was joining a business that was challenged. Its core product areas – cash and mails – were 'sunset' products, experiencing year on year declines in volume and revenue. There was a lack of operational rigour,

overheads were too high and cost reduction needed to be driven harder. The Network required modernisation and Post Office needed to push on with completing the franchising of Directly Managed Branches ("DMBs"). I did understand to some degree that the relationship with Postmasters was strained, the litigation required resolution and a new partnership with Postmasters needed to be established. This felt like a turnaround situation and I felt I had the relevant experience to lead it.

Training and induction

17. I have been asked to comment on my induction and the briefings that I received on the matters being addressed by the Inquiry. My first day at Post Office was on 16 September 2019. I recall experiencing a fairly standard induction consisting of a programme of meetings, presentations and induction documents. The meetings included Board members, members of the Group Executive ("GE") and Postmasters, as well as visiting various branches and Post Office support offices, particularly Chesterfield, to familiarise myself with the business. The process was owned by my Executive Assistant who put the schedule together. As far as I recall, the induction was generic.
18. Prior to officially joining, I requested a series of introductory meetings which were arranged for me so that I could meet with department heads to discuss departmental priorities in mid-August 2019. I met with all members of the Group Executive, bar one, prior to joining. I met with Paula Vennells to gain a perspective and I also met during that time Tom Cooper, the Shareholder Representative on

the Board and Beth White from BEIS, who gave an introduction to UKGI, BEIS and their teams, respectively.

19. In my first CEO report to the Board, dated 29 October 2019, I included a breakdown of how I had spent the first six weeks at the organisation, and my initial views of what I had experienced:

“Most of my early observations will not come as a great surprise;

- *The lack of real time management information and data*
- *The need to quickly establish a better operating and trading rhythm*
- *The importance of driving accountability across the organisation (see above [a reference to the first 3 paragraphs of the 29/10/2019 Board report] for objectives)*
- *The necessity to rebalance the dominance of process, risk, audit compliance and governance with a greater focus upon customers, Postmasters, products and services*
- *The need to build a proper business consciousness. Focus upon operational success and performance*
- *The lack of an organisational change roadmap – no capability, nor capacity management, nor understanding of what we want to be. No narrative*
- *No change governance (nor design authority). Doing too much and not necessarily the right things. “Stop-start-continue” required.*

Fundamentally, many of these issues are a consequence of a lack of clarity around the purpose, vision and strategy of the Organisation. Colleagues are not clear 'what good looks like' nor what they are trying to achieve. Customers remain unaware or confused by our proposition. There is a huge opportunity to redefine the purpose of the Post Office, for all stakeholders and this remains my key objective."

20. I had used McKinsey in other roles as CEO to provide a baseline health check of the organisation as a good start point in establishing the growth platform and to define what we were trying to achieve. I commissioned them to produce what we called the Purpose, Strategy and Growth work, referring to what I discerned as urgently needed activity. As that commission developed, the learning from the CIJ became an important part of that, as by then I was beginning to see the magnitude of the historical failings, but it was not the sole or initial driver for asking McKinsey to conduct their external review.
21. I cannot remember what specific documents I was recommended to read as part of my induction process. I do recall that I was not asked to go back and read old Board minutes and I did not do so. This did not strike me as unusual, as at that time I did not think that it was part of my role to revisit the historic issues at Post Office in any detail. I delineated in my mind between the past and the present: I understood that the litigation was about historic matters and required resolution, but I did not think I needed to revisit historic matters in detail as I had been brought in to focus on Post Office's commercial future. I read a summary of the CIJ as part of my induction and I recall I asked for a further marked up copy of it, especially noting where Fraser J is critical of Post Office. My impression in these

early days at Post Office was that colleagues felt the judgment and GLO was a matter for the Operations Team in Chesterfield who were conducting an internal review, to inform changes in back office processes and for Retail colleagues in branches. At that time there was no sense that the impact of the CIJ was wider than this. It was not presented to me initially as an urgent or unique problem requiring my immediate attention. However, I recall that in October 2019 I became involved in conversations between Post Office and its external lawyers, Herbert Smith Freehill ("HSF") about the possibility of settlement, and at that point my understanding of the GLO developed. I had a good relationship with HSF and was guided by them when it came to settlement discussions. As stated above, on starting in the business I was clear that the litigation should be settled quickly, and I was keen for Post Office to act swiftly and, very importantly, act fairly to Postmasters and be seen to do so.

22. In the first couple of weeks of being CEO I had only limited contact with Post Office legal team about the GLO, but as noted above, I did have contact with colleagues who were dealing with the operational changes that Post Office needed to put in place arising from the CIJ. Julie Thomas, Operations Director, and other retail colleagues, gave me briefings when I went to Chesterfield in October 2019 on the CIJ and the remediation plans [POL00286627]. At this time it was a fairly modest departmental proposal, rather than the business-wide initiative that we would subsequently implement. It was clear from my briefings that Post Office had intended to wait until the permanent CEO (me) was in role such that that person could design and lead any business-wide operational and cultural change.

23. I was keen to develop a purpose and vision for the Post Office and from the start was convinced that the Postmasters has to be the central focus for that purpose. This was a view that I had developed from my time in other organisations such as NISA and also Tesco, in placing central value on the store manager. The Post Office would not exist without Postmasters and from my first day as CEO I was determined to make this shift in the cultural mindset of the organisation. The findings from the litigation confirmed that was the right direction. I cannot recall exactly when I found out that Post Office privately prosecuted Postmasters (and had stopped prosecuting - although I know from having read the CIJ that that was mentioned there). Private prosecutions were presented to me as an historic issue that had ceased before 2015 and that I did not need to dig into the details of what had happened at Post Office in the past as this conduct had ended.
24. My understanding developed following the handing down of the HIJ. Fraser J had distinguished between the previous iterations of Horizon and the current Horizon system, which he had found to be more robust. I recall thinking that the system was considered to be essentially operable, but that we needed to address the underlying issues identified by Fraser J.
25. As set out above, I had asked McKinsey in late 2019 to conduct a baseline health check of the Post Office including incorporating the findings and recommendations of the CIJ into this review. This work on scope and purpose had been presented to the Board in November 2019. When the HIJ was handed down, I was able to incorporate those recommendations in affirming the scope and purpose that was shared with the organisation in January 2020. In my mind, the CIJ was about the cultural and contractual relationship between the Post

Office and Postmasters, whereas the HIJ was about the technical capability of Horizon and its robustness so that there was a distinction between the culture and the technology. I was keen to see immediately what we must do with the findings of the HIJ.

PART B

Overall Culture at Post Office

26. I have been asked to describe the culture of Post Office as an organisation and summarise my understanding of the actions taken to change its culture following the CIJ and HIJ or resulting from evidence arising in the Inquiry.
27. I have set out in some detail the work that Post Office has initiated since the CIJ and HIJ, and more recently, to address its culture in my first statement [WITN00760100], including the policies on Contract Performance, Suspension and Termination. These followed on from very clear recommendations in the CIJ and were what I would describe as tactical activity which was different from the development of the overarching corporate narrative about the purpose of the organisation, the underlying culture, the commercial strategy and relationship with government arising from the work we had done with McKinsey. I will not repeat the same in this statement. Instead, I set out below some personal reflections on Post Office's culture.

First six months as CEO

28. I want to start by saying that I arrived to find a business where almost everyone I met had a sense of pride in the services Post Office were delivering and what

Post Office stood for in terms of it being a national institution. It was a benign culture, in the sense that it was highly consultative, decisions were largely made by consensus and it was not one based on authoritative leadership. I was made to feel extremely welcome and people set out to be as helpful to me as possible.

29. As I have stated above, I was appointed into role to drive organisational change and to modernise the Post Office. Soon after arrival the scale of the injustice to Postmasters began to be apparent to me and I relatively quickly had to recalibrate my expectations and view of what was urgently needed.
30. I do not recall there being serious concerns amongst Post Office's senior leadership or Board when HIJ was handed down. There were no urgent calls or panicked discussions. I don't think there was a good understanding of the serious implications of what had happened in the CIJ and HIJ. The leadership was still in shock and surprise that the litigation had been lost. My recollection is that it was only in 2020 when there seemed to be a groundswell of opinion that Post Office had serious questions to answer about its previous mistreatment of Postmasters that the senior leadership and Board started to understand the potential scale of the crisis.
31. My early assessment was that the Board was juggling with a number of different priorities which were largely commercial in nature, particularly around trading profit, cost control, and financial sustainability. The initial work that I set up through McKinsey to examine purpose was not commissioned by the Board and was not a Board or Shareholder priority. It would be fair to say however that my focus on scope and purpose was shared by the then Minister who was supportive.

The work was carried out in the organisation and initially presented to the Board in November 2019. The Operations Team in Chesterfield were dealing with the issues from the CIJ. When the HIJ was handed down, it was the IT team who were looking at the fixes associated with that judgment. My reflection now is that the responses to each of the judgments were more operational than strategic at that stage. The culture as I found it in this first six months was very focussed on trading profits, reducing the Government subsidy and investment in Post Office. The organisation had lost sight of Postmasters. This included failing to recognise fully and to explain properly to Postmasters the implications of the move from a fixed to a variable pay model (the move from a fixed salary to being franchisees and being responsible for their own income). The organisation had not changed to reflect this evolution in relationship. Inadequate structures had been established to equip, train or support Postmasters in this transition. Almost no attempts had been made to build a partnership of equals. Post Office had left Postmasters behind in its quest for commercial sustainability.

32. It was clear to me from early on that we needed to reset the culture and mindset of the business towards Postmasters. We needed to become Postmaster centric and the centre had to recognise that without Postmasters there was no business and our entire job was to be there in the service of Postmasters. If Postmasters were successful, then we were too. There were many immediate and symbolic actions that I took to reinforce this. My first statement on Culture and Governance [WITN00760100] has more detail but two stick out - removing Postmasters from the "cost" column within the corporate P&L so that they would not be seen as "in red" and no longer referring to them as agents or "subpostmasters", both

demeaning terms. This was a business about Postmasters providing great personal, face to face service to customers in every community. This was our clear point of differentiation. We needed to set Postmasters up to exploit this critical point of difference from all other retailers and competitors (including on-line businesses). We were here, in the centre, to support the Postmasters to deliver great service.

33. Despite the fact that we compete with commercial businesses on the high street the organisational culture felt like a public sector institution, with colleagues thinking more like civil servants than entrepreneurs and business leaders. There was a lack of consequence management – failure is often accepted without the learnings fully understood and fed back into the business. The operating rhythm was slow compared to its private sector peers and too bureaucratic with extra layers of authority getting in the way of agile decision making. Departments acted like public sector departments with silo management and a lack of sharing of best practice and support for each other – with the Operations team (part retail and part back office functions) initially being responsible for the CIJ recommendations.

34. I made sure therefore that when the Purpose and Scope work concluded in January 2020, the work arising from CIJ and HIJ merged into this and became part of the bigger programme of change rather than something just explicitly for the IT, Retail and Operations teams. My reflection now is that the work from CIJ and HIJ had been ring fenced as part of the organisation getting on with the day job. I saw my role as trying to mobilise the entire organisation around broader cultural change, leading to a set of operational deliverables. The early executive

work leading on from McKinsey looked at a more encompassing broader plan that involved different elements of culture, operations, and retail. We had identified a culture where colleagues felt their skills and capabilities were under-invested in. There was no performance culture. Indeed the culture felt over-governed and under-led. This was not what I had been used to in the large private sector organisations I have previously worked for and led. The impact of the litigation and the CIJ judgement had two effects as I saw it – firstly, part shock and paralysis amongst many of the senior leaders. There had been no expectation they would lose the litigation and consequently the implications had not been considered. Other colleagues across the organisation believed they had done a good job, added real value and done what was asked of them. They didn't understand the consequences. They hadn't been explained and there was no pressure nor 'burning platform' for change from the Shareholder downwards.

35. It is important to state that Government had made money available to the Post Office during the earlier period, 2012-2019 to fund change and in my view, this had had, perhaps the unintended consequence of driving a sub-optimal culture. It had led to a very slow moving business compared to the private sector. It was too bureaucratic with excessive layers of decision making, lacking flexibility and accountability. The organisation was extremely slow in executing change and there were limited consequences for anyone when things went wrong. In many ways this typified old school Government departments, inward looking and internally focussed.
36. There was a massive over reliance on external contractors. Whilst their contribution was of course valuable, it did lead to a lack of project ownership, and

a reliance on individuals who had little vested in taking responsibility for decisions/accountability. Ultimately this eroded corporate memory, the building of capability and the sharing of best practice. This was especially prevalent within the IT community where accountability had been outsourced to third party contractors.

37. My overall view at this early stage, was that the business was immature in its approach to change management. I thought I could make a positive difference however and work on many of the issues the Post Office had. I did not encounter undue negativity around change or even a major degree of resistance.
38. As explained above, it was clear to me, that what the Post Office needed was a clear strategic intent and a view on how to develop growth. This all comes through the first major speech I made – Setting the Course [**POL00458399**]. The most important point, as I say, was that the Post Office had to move to being Postmaster centric rather than focussed on profits. Post Office should be there to serve Postmasters. I spoke about this mantra at the town halls and the 10@10 meetings and when I spoke to the L 40 (the top 40 in the leadership team). I talked about the need and necessity to put Postmasters first.
39. I could see in this early stage that some colleagues were puzzled and perhaps frustrated in my efforts to shift the course of the culture in this way. Colleagues weren't necessarily resistant to change more unable to appreciate the urgency. Not simply 'what' was needed but also 'how' to deliver it.
40. As noted above, to assist in this diagnostic period and to mobilise and bring colleagues with me in this change (winning the hearts and minds), I had

commissioned the help of McKinsey to work on purpose, strategy and growth. I recognised that it was essential to build a common purpose, vision and mission for the business and that all policies and practices would be built from there.

41. The culture change work was informed by McKinsey's bespoke organisational health index which ranks organisations on their cultural maturity and re-enforced my views of the prevailing culture at the time [POL00447762; POL00458012]. I had previously used McKinsey effectively at Thomas Cook and Lloyds. Whilst at Tesco we developed a Store Manager team solely focused on the skills and needs of the Store Manager - this experience re-enforced by my subsequent work at Nisa that in the retail environment in which we traded, the Manager was the single most important asset. We needed to establish mechanisms to promote this at Post Office. This approach had of course been informed by the CIJ judgment about the culture of the relationship between post office and Postmasters.
42. For me, this was so important to get right because that was where the relationship had broken down. As said above, but worthy of repeating, we had lost sight of the Postmasters and our investment in Postmasters; indeed the way we communicated, engaged supported and involved Postmasters needed to change.
43. The Board remained more focussed on profitability and driving costs with a more commercial bent. I remember thinking that the Government, by way of their new policy team, also felt there was a greater need to reset the culture to refocus and repurpose the organisation and they probably recognised that the Board were in a slightly different place.

44. These variations in strategic focus were reflected in the Minister and Permanent Secretary. Greg Clarke, the BEIS Minister when I arrived, was clear that we should focus on Postmasters and afford redress arising from the court judgment in 2019. He wanted to solve things for the Postmasters and make sure that the injustices were genuinely settled. Alex Chisholm, BEIS Permanent Secretary, was more closely aligned with the Board priorities and was not pushing for a settlement and to some extent did not see the need to broker a new deal with Postmasters. Alex Chisholm wanted a short independent 4 month review so we could move on and I could focus on the day job of moving the Post Office forward. His view was more closely aligned with the Board around the need for speed towards financial sustainability. This left a somewhat unclear agreement as to which priorities took precedence.
45. McKinsey presented the Organisational Health Index to the Board on 26 November 2019 and I spoke to the Board about what we were trying to do and how it was shaping the strategy and what it was starting to look like and what was emerging. Informally the conclusion of the PSG work was around January 2020.
46. Critically, I renegotiated with the Board that rather than continuing to push in the following year for a £100m trading profit, we would step back from that kind of target and invest in Postmasters. This led then to many of the changes set out in my first statement dealing with Culture and Governance [WITN00760100], including a widening of focus upon cultural metrics as well as financial metrics.
47. One of my earliest interventions was to change the operating rhythm of the business and its meeting cadence. I wanted to introduce greater accountability

and transparency across the senior leadership team. Within the first three months I met with the L40 (senior 40 leaders) and reset their tactical objectives. I established 7 key meetings in this initial period to try and refocus the organisation towards driving performance. We also needed to get the Group Executive out of Finsbury Dials in the lead up to Christmas. We had a GE meeting in Chesterfield and then all GE and L40 colleagues were 'on the road' in Christmas week meeting Postmasters and customers. Much of this is set out in the CEO reports which I attach at [POL00448894; UKGI00025127].

48. The other key driver in culture change at that time was, of course, the litigation settlement and all that followed. I became of the view and shared it regularly in 10@10 meetings and with my leadership team that the business could not move forward without addressing and reconciling the past. The litigation settlement was a critical part of this narrative as we not only settled financially with the 555 Postmasters but committed to a number of other important changes. The culmination of my thoughts from the first six months are reflected in my speech titled "Setting the Course" as a State of the Nation address to Post Office in April 2020, in which I set out what I saw to be the scale of the challenge for the organisation. This included the following, taken from my speaking notes [POL00458399]:

"From my review of the business as Chief Executive these past six months, to achieve that, we will need wholesale reform.... I am unapologetic. This is not the time for tinkering". I went on to explain that we needed to reform our culture, our operations and our business strategy. I stated that: "But it will not be easy as we must maintain an equilibrium between often-competing interests.

- a. *The Government, as our **shareholder**, rightly expects us to safeguard*

public money in our network and reduce our reliance on subsidy.

- b. *Yet our **customers** want us to be present in everyone of their communities, no matter how remote, delivering high quality services relevant to them.*
- c. *And our **Postmasters** want good products, simple processes and decent remuneration.”*

49. My notes show that I went on say that:

“Our focus on profitability became too singular, with the result that insufficient time and effort was devoted to maintaining that delicate equilibrium” and further on “I do not think we have fully understood this change and modernised our culture and operating models to match.

- *We did not do enough to support a very different type of Postmaster - an entrepreneur with a wide retail offer in a very competitive market.*

We did not show enough curiosity about the practical, knock-on implications of moving Postmasters away from fixed to variable pay.

We did not invest enough to make it sufficiently remunerative, having radically changed the formats in the business”.

50. I stated that: *“However, I am deeply conscious that we will not be able to move forward and meet the needs of the 50,000 Postmasters and assistants working with us today - and indeed their successors - until we have done all we can to resolve the past.”*

51. Importantly, in terms of the change needed I said that *“to do this properly, we need to go far beyond giving what Alan Bates described to the BEIS Select Committee Inquiry 10 days ago, as a new lick of paint.”* I went on to say that I thought there were three broad areas we needed to address:“

1. *a change of a **culture** at Post Office, becoming one of service to Postmasters and customers;*
2. *greater **transparency around our commercial and financial strategy** and what we mean by success; and*
3. *whether there are new ways in which Postmasters can participate in the business more fully, providing **more involvement and better incentives”***

52. I described the Horizon Shortfall Scheme in terms that “*the scheme will provide any Postmaster, past or present, who was not part of the Group Litigation settlement with a simple, accessible, and fee-free route to addressing issues with past shortfalls they believe were caused by the versions of Horizon criticised in the litigation.*”
53. Finally, I announced “*that we will no longer be targeting £100 million profit in FY2020/21 and our performance measures will be recalibrated in agreement with the board and our shareholder.*”
54. When I made that speech, I received some pushback from my executive colleagues. Al Cameron wrote to me on 12 March 2020 having seen my speech in draft to point out two points of caution in what I was saying. His email stated that the language I was using was “*so stark*” that it might “*precipitate demands for historical action...which may not be a distraction you want*” [POL00458395].
55. The Board’s then approach was perhaps well illustrated by the sale of our Telco business. This sale was strategically driven to produce a dividend for the Treasury with no upside for Postmasters, indeed merely a loss in overall revenue. This neatly summarised for me how the Post Office leadership had got to a place where it was prioritising the commercial sustainability of Post Office and its trading profit over the development and building of a renewed relationship with Postmasters.

The Pandemic

56. When Covid set in in late March, the organisation along with much of the world, was tipped into crisis mode. This was of course a terrible period for many including Postmasters, customers and indeed for some staff at Post Office. I have to say however, that in many ways this period, was formative for the organisation and brought out the best in our people. It forced us to get explicit about our social purpose and social contract.
57. We worked hard to get the Government to recognise Postmasters as key workers, to encourage Post Offices to stay open to support their communities and in particular the vulnerable, elderly, deprived, rural and isolated – in short, Postmasters and thereby Post Office played an important role in serving the disadvantaged in the midst of the pandemic. We defined our purpose at that stage as “we are here in person for the people who rely on us”. I could see the organisation, culturally, getting around this highly important purpose with a renewed sense of pride. This is reflected in my Setting the Course Speech in April 2020 [POL00458399] at paragraphs 9-16:

“Let’s start with our plan to tackle the Covid-19 outbreak.

For our customers and Postmasters we are in uncharted territory.

Already the dedication that everyone across the business is showing gives us all cause for pride.

*Thank you **all** for your hard work.*

Our Postmasters deserve particular thanks.

Every day of this week, I have learnt about new local initiatives being spearheaded by Postmasters to lessen the impact of the current crisis on their communities.

- *Postmasters knocking on doors of vulnerable customers to check they are ok.*
- *Postmasters working with Post Office Card Account holders as they nominate a family member or carer to help get the cash they need for urgent supplies.*
- *Postmasters offering to receive and hold more parcels and help get them into the hands of those that need them.*

This is the Post Office at its best.

We're in constant dialogue with the Government about how we can use our network – the UK's largest retail network – to support the public better."

58. That this was hard for Postmasters, is perhaps illustrated best by the fact that records suggested we had 700 Postmasters who were over 70 years old, so potentially vulnerable themselves. We put a team in place to support vulnerable Postmasters and did not require anyone to stay open, rather helping Postmasters recognise how important their role was. Government were very supportive of our efforts and supported us in giving Postmasters key worker status, and the provision of PPE. We guaranteed no Postmaster would be in any way financially penalised during this period through the development of a hardship fund and the Covid 19 Relief Fund. This signposted, what I hoped would be viewed as, a very different way of treating Postmasters and the level of support we provided from the centre and the newly established field teams showed Post Office at its best. The steps taken to support Postmasters during the pandemic, and the emphasis on a new "Postmaster-first" attitude, are referenced in paragraphs 17-32 of my *State of the Nation* speech in April 2020 [POL00458399]:

"For now the priority is to focus on supporting our Postmasters and providing them with practical, up-to-date information daily.

Their health, and that of their customers, is our priority. Where Postmasters are themselves vulnerable, they should self-isolate.

We will support them and find the best ways to ensure their customers can still be served.

I am also pleased to see that the Government has announced strong financial support measures.

Twelve months respite from the burden of business rates – combined with cash grants of £25,000 through local authorities – will really help the small business run by many of our Postmasters.

I know that the Government is also working hard to try to finalise further measures designed to help small business to continue to pay staff and these will be announced shortly.

I also make this commitment to Postmasters today.

No Postmaster should worry unduly about getting paid.

For the next three months – April, May and June – Post Office will be making additional funds available for Postmasters who have suffered a loss of trade, through the creation of a dedicated ‘Covid-19 Relief Fund’.

March remuneration payments which are due in 11 days will be received as normal – they are based on the sales period which finished in February.

And fixed remuneration payments will not be impacted at any stage.

The financial allocation within the relief fund should help meet the gap from any potential loss of variable remuneration if footfall declines.

We will be advising branches shortly what are the criteria for applying for funding.

This will be as straightforward as possible and driven by the variable remuneration levels of their branch.

I want all of us to ensure that no Postmaster feels they have to close their doors unnecessarily through this national crisis.

Working together, we will ensure that we can remain open for business and provide the vital services communities across the country need – not least access to cash and banking services.”

59. The organisation also got better at making quick decisions, being agile and operating to a different business cadence. The time at which Post Office really showed its capability and its true social purpose.
60. It was however very regrettable that one of the impacts of Covid was that we moved less quickly on some of the fixes from the CIJ and HIJ recommendations. We were pivoting the organisation to respond to the crisis and were not in steady state, so could not continue as fully as we wanted to with this important work to implement change. Indeed some of this work had to be put on hold for the period, whilst we managed the crisis. Post Office was an important part of the national response, being a key part of the national infrastructure and I think we lived up to our new purpose. I set out below how we revisited the judgments' recommendations in February 2021.
61. Before moving onto the post Pandemic period, I do want to touch on how the Inquiry affected the culture of the Post Office. As mentioned, Permanent Secretary Alex Chisolm had initially wanted this just to be a review, not an inquiry and that it should be whilst independent, essentially internal and importantly be forward looking. That had been the plan from February 2020 when the Prime Minister announced the review would also look at historical failings. Later in 2020 when the Minister announced the Inquiry, it was a truly pivotal moment for the organisation as a whole to fully grapple with the process that it needed to go through and the changes required.
62. By summer it had developed into a judge-led Independent inquiry which was only meant to last 4 months. This was reformulated into the Terms Of Reference that

currently apply, in January 2021. The reason for mentioning this here is that of course this has had a massive impact on the culture of the Post Office. Our engagement with the Inquiry has been front and centre of our work and necessarily and appropriately taken up a great deal of the organisation's bandwidth. Moreover as the intensity of scrutiny increased not just from the Inquiry but also the media, a level of apprehensiveness and cautiousness set into the organisation.

Post Covid to date

63. 2020 was a complicated year for Post Office, as it was for many organisations. However the changes in consumer behaviour – acceleration in ecommerce, growth in parcels, need for cash – benefitted the Post Office overall. Post Covid, we moved to a more complicated time for the business. There was an overnight collapse in parcel volumes alongside a reset in consumer behaviour. There was the need to confront and face into the overturning of convictions in the Court of Appeal and the large scale miscarriage of justice as well as the announcement of the Public Inquiry. This required a step forward in cultural change.
64. We carried on thinking about how best to support Postmasters, but were also back to dealing with the fixes, responding to and addressing Postmaster remuneration. I was conscious there was a lot of activity that could be brought together to deal with the actions from CIJ and HIJ. This came together under the Improvement Delivery Group (IDG) set up in February 2021 and which until October 2021 focussed on the change delivery and tracking the actions. There was the necessity to bring into one single governance forum all the

recommendations and changes that we were making as a consequence of the judgments. We had just been through Covid and I wanted to ensure there was a proper umbrella with a subset of the group executive driving the changes and making sure the changes were enacted and that I had them all in one place. CIJ was handed down March 2019, HIJ handed down December 2019, and Covid lockdown started March 2020 so some of the changes were slowed. We wanted to conclude these coming out of Covid and it was really important for me that we had an injection of pace. We set up the IDG to bring all these disparate parts into one place, managed by a subgroup of Group Executive to monitor and delivery the change.

65. My speech on 8 April 2021 – “Future Past & Present” reflected this **[POL00458398]**:

At paragraphs 12-43:

“There is a need to confront, and face up to, [Post Office’s] past”.

We need to fact facts. We failed a large number of Postmasters in our recent history.

In just over two weeks’ time, the Court of Appeal will determine whether a number of criminal convictions resulting from historical Post Office investigations and prosecutions are safe.

Only the Court can decide such things.

But we can, and we have, expressed a clear view through the stance we have taken in the proceedings.

In deciding not to oppose the overwhelming majority of these cases, the perspective of those of us leading the Post Office today is clear.

An independent Inquiry, led by Sir Wyn Williams, is scheduled to report later this year on our progress in making the sweeping changes needed to prevent a recurrence.

Confronting either of these challenges would be a tall order. Confronting both simultaneously is positively daunting.

Today, I say that, daunting though it undoubtedly is, it can be done.

Indeed, I argue that it must be done in the interests of those customers who continue to rely on us for essential services.

It must be done for those who will continue to need us as a vital physical presence in an increasingly digital and impersonal world.

And it must be done in the interests of Postmasters without whom there is no Post Office.

They must have the confidence that history will not repeat itself.

They must experience that Post Office has changed and changed for good, as we work together to build a successful and equitable business.

Our first test is to resolve the past once and for all.

We must ensure that all Postmasters affected by this scandal are compensated, and compensated quickly.

Whether Post Office's treatment of its Postmasters in relation to Horizon amounts to a large-scale miscarriage of justice is for the Court to determine, but I know what I think.

*Our organisation's historic handling of this matter fell short.
I am in no doubt as to the human cost of this.*

I have heard it in the testimony of those during civil and criminal proceedings, and in the submissions to Sir Wyn's inquiry.

We have to accept that it is the Post Office that caused what for some has been very deep pain.

Absent the possibility of turning the clock back, compensation appropriate to that pain must follow.

And we need to face this reality.

Post Office cannot deliver the future our Postmasters and customers deserve until we have come to a comprehensive and swift resolution that recognises the scale of our shortcomings.

THE FUTURE – POST OFFICE IN 2025

I am not prepared to forgo that opportunity because I know that Post Office has a bright future if we focus on the right things.

In four years' time, people's experience of the Post Office will be markedly different.

I want it to be a successful, sustainable, and sought-after franchise.

There are seven strands to our future success.

*First, we will **prioritise** strong, trusting and rewarding relationships with our Postmasters*

A franchise firmly rooted in true partnership, with mutually reinforcing benefits for Post Office Limited and Postmasters.

A franchise in which Post Office and Postmasters have a clear understanding of how they work together

“THE PAST – AN IMBALANCE OF POWER

When I joined Post Office in September 2019, like many of you , I was attracted to what makes it an important and, in many ways, successful business.

Our brand holds an enduring value to customers.

Our network is truly nationwide. The largest retailer in the UK.

In recent years, Post Office Limited had become increasingly profitable although the post pandemic outlook is clearly challenging.

However, in the eighteen months I have led the business, it has become clear to me that many of our business successes have come at a hidden cost.

A cost which imperils the future sustainability of our business if left unchecked.

For too long Post Office Limited has assumed a ‘parent and child’ relationship with its Postmasters, rather than a partnership of equals.

There has been a pronounced imbalance of power in the relationship between us, creating a situation in which the company has felt that it has all the answers, and has expected Postmasters to follow its lead unquestioningly.

The Post Office thought it was always ‘right’ and behaved accordingly.

The reasons for this are complex.

I think that they date back to being an executive arm of the government providing wide ranging services to citizens as a custodian of very significant amounts of public money.

For those then in charge, accounting for every penny of this came above all else.

More recently, reducing reliance on the public purse for investment and subsidy became the company imperative.

And the pursuit of trading profitability became the new mantra, often to the exclusion of many other considerations.

That is not to say that trading profitability is not important. It is.

It provides the fuel for investment and change, to improve our services and deliver more for our customers and staff.

But that trading profitability needs to be benefit Postmasters as well.

The imbalance of power at the heart of the relationship between head office and individual post offices has led to a situation in which the interests of Postmasters have consistently been overlooked while Post Office marched on.

Let me set out my view of the three factors at the heart of what went wrong.

Culture

During the Group Litigation, Mr Justice Fraser issued two judgments.

The first focused on the proper meaning of the contract the business had with Postmasters.

However, I believe that the underlying issues he revealed were cultural, rather than purely contractual, in nature. Indeed, many of his own comments reflected as much.

For years, it appears that Post Office came to understand the contract as meaning that Postmasters were to be held responsible for whatever happened in their shops in all circumstances.

Once the training had been delivered, the operational kit installed and the cash handed over, the prevailing view was that the Postmaster was accountable from that moment on.

Whatever actually happened, if money went missing, the Postmaster was 'on the hook' so to speak.

The judgment exposed the mismatch in the capabilities, the information and insight available to Post Office Limited and individual Postmasters, especially smaller independents.

Postmasters were simply not given a fair share of the analysis, the support or the opportunity to resolve discrepancies.

That is reflective of the imbalance of power I identify.

The priority appears to have been what mattered to Post Office Limited first, and everything else came second.

In so far as it persists, this culture must change – quite simply, we must put Postmasters first in everything we do.

Without them, there is no Post Office.”

66. And at paragraphs 142-183:

“Profitability

Separate from the two judgements by Mr Justice Fraser, and my observations

about culture and the Horizon system, I think there is a third element that illustrates the cost of the imbalance of power.

This is the importance of trading profitability of Post Office Limited.

When the Post Office Limited separated from Royal Mail in 2012, the annual loss was some £120m.

Reducing this loss and seeking greater commercial sustainability became the overriding priority of the business and its shareholder, not least to reduce reliance for funding from the Government.

By 2016, in just 4 years, a loss had been turned to profit.

That's no mean feat.

But at what cost?

The problem is that our focus on trading profitability for Post Office Limited is, I am afraid, likely to have contributed once again to a culture in which the needs and interests of Postmasters played second fiddle to this corporate objective. The overall remuneration allocated to Postmasters was reduced, and the hands-on support the Post Office provided them was much diminished.

This is now urgently being addressed.

But I am acutely conscious that, for many, this comes too late.

In two weeks', the Court of Appeal will conclude a process which is likely to result in many historical Postmaster convictions being declared unsafe.

I was clear that the business could not, and should not, act as a barrier to that outcome in the vast majority of those cases.

I am equally clear that where convictions are quashed, these injustices must be righted swiftly through appropriate redress.

If the Court finds that a large-scale miscarriage of justice took place, we can expect it to carry a large-scale cost.

The Post Office simply does not have the financial resources to provide meaningful compensation.

I completely understand that Government is keen that Post Office should be seen to be fixing its own mess.

And through the work being undertaken across the business every day to place the needs and interests of Postmasters first, we are doing just that.

But financial compensation commensurate with wrongful conviction is a different matter.

I am urging Government to work with us to find a way of ensuring that the

funding needed for such compensation, along with the means to get it to those to whom it is due, is arranged as quickly and efficiently as possible.

Acting swiftly would also enable the Post Office to place even more focus on ensuring that there can be no recurrence of these deeply damaging events.

Our success in this regard is, of course, the subject of Sir Wyn Williams' independent Inquiry, established by Government for the specific purpose of assessing the progress we are making.

As I have previously made clear, the Post Office is cooperating fully with Sir Wyn as he carries out his important work.

I believe that the Inquiry will be vital in demonstrating that lessons have been learned and that the Post Office is changing both for the better, and forever.

I hope it will be an important first step in providing reassurance that the Post Office now has in place the culture and processes to ensure that nothing like this can ever happen again.

At the same time, let's again face facts.

We must acknowledge the uncomfortable truth that for those most impacted by this scandal, the Inquiry will not necessarily bring closure in and of itself.

There are those for whom its terms of reference are too narrow, or its powers insufficient.

I understand that point of view and, for the record, repeat what I have previously said - the Post Office will co-operate fully with any form of Inquiry Government thinks fit, as we seek to bring a measure of closure to those affected.

Similarly, and although the parties entered into a full and final settlement of the Group Litigation in good faith, it has only become apparent through various news reports since quite how much of the total appears to have been apportioned to the claimants' lawyers and funders.

Should those reports be accurate, it is at least understandable that the claimants in those proceedings should continue to feel a sense of injustice, even in circumstances where they also agreed the settlement in good faith.

What if, anything, can be done on these two issues is not for the Post Office to determine or even within its gift.

The Post Office will, however, continue to engage meaningfully and transparently with Sir Wyn's Inquiry, and approach any future Court proceedings with the same openness, objectivity and fairness as it has sought to demonstrate in the Court of Appeal.

Failing to display appropriate humility as we confront the wrongs of the past will only serve to prolong the anguish of those who have been wronged, and

prevent the Post Office from building a positive future on more solid and fair foundations.

As I reflect on the imbalance of power, correcting the wrongs on their own will not be enough.

The danger is that in fixing the problems of the past, Post Office does not make itself fit for the future.

Not least as the world changes rapidly around us.

The coronavirus pandemic has accelerated the transformation of the retail market.

It has also brought the importance of what we do into much sharper focus. My job must be to assure a future for Post Office in which it continues to serve the communities of the UK successfully for years to come.

A precondition of success is systematically to deliver the necessary change to rebalance our relationship with Postmasters.

While we are determined to remedy the past, we must place equal urgency in our efforts to reinvent our business model into a partnership which reflects the simple truth that, without them, we do not have a business.”

67. It was clear to me that we needed to give greater support to the remuneration of and partnership with Postmasters. This was still not resolved and we had not made the progress I had wanted to make - Covid had stopped much of the change needed and we needed to double down on cultural change. It was around then that I and colleagues brought in many of the initiatives towards making the Post Office Postmaster centric. This is reflected in my first statement [WITN00760100] at paragraph 197 and reflected in paragraphs 184-212: of the speech:

“THE PRESENT – DAILY FOCUS ON TRANSFORMATIONAL CHANGE

Realising substantial and transformational change should be our daily focus.

We should be focused each and every day on making the lives of Postmasters better.

To do that we need to be specific about the measures that make a difference.

Modern franchise

We need to bring franchise arrangements between Post Office and Postmasters up to modern day standards.

Those standards must reflect the fundamental fairness at the heart of our relationship and be set out in plain English

And those arrangements must make clear that Post Office has considerable responsibilities towards Postmasters in making a success of the partnership.

Hands-on Support

We must continue to strengthen support to Postmasters.

I have already ensured that every Postmaster now has direct support from an Area Manager.

We have recruited 15 people and repurposed 34 members of staff from within the business amounting to an investment of £2 million in our new 94 strong area manager network.

Postmasters now have regular contact with someone central to the business, helping with operational issues, day-to-day advice and hands-on support.

Where the need is routine or needed out of hours, Postmasters can self-serve online 24/7 thanks to the introduction of Branch Hub.

When things go wrong

We are undertaking an overhaul of the entire process by which we respond to problems that occur in branch as, inevitably they will from time to time across a network growing to over 12,000 branches.

Our reflex must be to make no presumptions about what might have happened or what might be responsible.

Instead, it is to listen to our Postmasters, and work alongside them, on the basis of shared and equal information, as we look for a solution together.

And the Post Office needs to understand that, in the context of running a small retail business, even relatively modest-sounding amounts of money make all the difference to cash flow and stock availability.

There is nothing such as a 'small' loss when viewed through the right prism.

New IT

We are already taking the first steps towards migrating off the Horizon system for good, in favour of a modern, cloud-based system which Postmasters will find intuitive and easy to operate.

Of course, this is not be easy – it will, after all, be among the biggest, if not the biggest, IT roll-out in the country when the time comes.

But the change is both necessary and overdue, and it begins now.

Postmaster voice

To ensure we know, and properly understand, what it is that postmasters need, they must have a bigger voice inside the business.

In addition to the two serving Postmasters joining our Board as Non-Executive Directors later in this new financial year, we have been consulting with Postmasters as a whole about their priorities in engaging with the businesses, as well as the best means to enable them to do so effectively.

Rather than head office second guessing the things that matter most to them, we must hear it from them first-hand, and ensure that they are more involved on a regular basis to shape and guide our business.

While the consultation process continues, it's already clear that in areas such as marketing, product development, and communications, co-creation will become the norm.

Remuneration

Postmasters must be fairly rewarded for the essential services they provide to our customers in every corner of the United Kingdom.

And their remuneration has improved significantly in both the financial years since my arrival.

In last year alone, they have shared in an additional £[29] million of remuneration.

Average remuneration across the network is up [7]% against last year – quite an achievement given the prolonged coronavirus lockdowns.

There is more to do.”

68. Many of the initiatives described for improving employee and Postmaster engagement are set out in paragraph 197 of my statement on Culture and

Governance – for instance Christmas Helpers, Adopt an Area and Helping Hands (i.e.: getting into branches). These were new to the business and were met with a little scepticism. Some colleagues felt uncomfortable. They couldn't see why it was so critical to support post offices at this most important time of the year. My view was that it was supremely important to help out physically in branches, as a retailer we are here to serve our Postmasters who serve our customers. Looking back now and in a post-Covid world that response was disappointing.

69. Nevertheless in my view we did make significant progress in cultural change through the longlist of initiatives all essentially focussed on shifting the focus of the business to Postmasters. This continued to be the case until mid-2023 when I feel that the scrutiny and pressures on the Post Office from the media and the need, necessary and appropriate though it was, to divert resources towards assisting/responding to this Inquiry, started to impact the pace of change. We simply no longer had the capacity, bandwidth and resilience to deliver at the same pace.

70. We have subsequently attempted to get back on the front foot with Ethos, which as I have described in my first statement, on Culture and Governance [WITN00760100], at paragraphs 226-235 was largely to ensure a cohesive whole for the multitude of initiatives launched since 2020. There were a number of disparate change activities and the programme aimed to simplify, provide visibility and prioritisation. We needed an umbrella similar to the Improvement Development Group to manage the different cultural initiatives and cultural changes around behavioural change and leadership change. The aim of the programme was to bring some structure to these initiatives and to then hand them

over as a package to the new Chief People Officer, Karen McEwan, who led on the development of strategic behaviours and strategic outcomes.

71. Surveys we carried out, in order to better understand where we could improve, showed that where Postmasters knew about the initiatives they thought they were a good idea and had had a positive effect. However getting cut through and establishing awareness of initiatives was challenging. It was the communication and engagement with Postmasters that was falling short.
72. The Inquiry has understandably asked about rebuilding the trust of Postmasters as a particular question. It is important to me to rebuild the trust of individual Postmasters especially those who have been the most affected by the failings made in the past and it is for this reason that we established the Restorative Justice Meetings: For my part I have met with 40 individual Postmasters over 18 months from across the four nations. I have asked them to share their experiences, giving me an opportunity to listen and learn about their harrowing journeys, their view of underlying problems at Post Office and to personally apologise. This process was both difficult for the victims and invaluable for me and other senior colleagues. I had been very keen to do these and I was truly humbled by the accounts I heard.
73. The Restorative Justice meetings I have attended have been nothing short of seismic, including meeting in the Houses of Parliament with former Postmasters, Tracy Felstead and Janet Skinner, and their Members of Parliament, Lucy Fraser and David Davies. I have looked back at the notes of my meetings with David Davis and Janet Skinner. I think the personal nature of the apologies that we

provided and that I was able to give in person were acknowledged and valued. We also made a variety of other commitments: i.e. offering to fund attending the Inquiry and making donations to charity. We wanted to help the victims with closure. I have seen how Grenfell made a point of asking the victims to help them think through how they establish some form of memorial. We have tried to do the same. I have asked in these restorative meetings how we can make sure that people do not forget about this appalling tragedy. What is important for me is not the number of meetings I attended or the time frame but how the content of what I have heard has really shaped the way I have gone about thinking about redress, particularly memorial support and engagement. If the opportunity arises I will ask for views and thoughts about what something more permanent, in terms of some kind of memorial, could look like.

74. Most people I have spoken to want something for their spouses and children that will acknowledge the family trauma they have endured over many years. The potential for some kind of hardship fund might be appropriate and worthy of consideration given what I had listened to. I was particularly affected by Deirdre Connolly in Northern Ireland whose harrowing experiences include being ostracised by her village and effectively bankrupted by their behaviours, which was especially moving. They accused her of stealing from the Crown. Her children were spat at on the high street and on the way to school and both have left home to work elsewhere as a result. The generational impact of this magnitude is so awful that we need to find a mechanism to support them.
75. However, I am still engaging forcefully with DBT to set up a fund for the families of victims which has not been successful so far. I am not aware that officials or

representatives of the Shareholder have attended any of the Restorative Justice Meetings. I would encourage them to do so. I think it is significant given that there are hundreds and hundreds of victims, with ripple effects across multiple families including intergenerationally, which I have found harrowing. This helps me shape the decisions that we make and the pressure that I put on government to bring closure to people and ensure that the schemes we operate genuinely put people back in the position they were before this tragedy occurred. I have dealt in the past with customer service. This is different, because here we are dealing with harm. The challenge for myself and the executive is that we do not have the expertise nor experience to deal or design this type of remedy and because we have not faced this before we are in uncharted territory. We are running the redress scheme in which we are not experts. The Government undoubtedly has more experience in redress schemes such as Grenfell and Infected Blood.

76. I have observed the impact of extreme trauma. The impact of what we have put people through is profound and long lasting particularly where local communities believed they were common thieves. In a far less dramatic way there is also an impact on staff in the organisation. I talked about how proud people were about working for the Post Office when I first started. I think one of the impacts of the last 18 months has been the complete erosion of that pride. People join the Post Office to add real social value and to make a difference. There are 1700 colleagues who have been in the Post Office for over 10 years and these people will be deeply ashamed of what they have been part of and I know a lot of senior people that are thinking long and hard and deeply about it. I too have been

profoundly affected. As a CEO my job is to provide hope and belief to colleagues. This has never been more challenging.

77. My statement of Culture and Governance also addresses in detail the Ethos Programme. As stated, I could see there was a need for one overarching programme to pull everything together. I did not however think it was as much of a success as it should have been. Ethos was established in 2023 to bring greater structure to the multiple cultural change initiatives which were operating across the business. The objective was to manage them all in one place and provide an umbrella programme to monitor progress across all initiatives - measure, steer, shape. The programme lacked the necessary credibility and engagement and did not have unanimous commitment at the right level. It was governed by a team who did not have the subject matter expertise to know whether or not it was working. Karen McEwan arrived as CPO in September 2023 and took ownership for cultural change delivery. I recruited Karen as someone credible and experienced. Someone I knew would be effective as I accepted that I did not have the right people around me before. She reported her conclusions to me as:

- A. Performance management had not been as robust as it should have been and there was a need to identify and respond to this.
- B. Post Office had brought in an approach to develop the right behaviours (through McKinsey's Purpose, Strategy and Growth work, and the introduction of Ways of Working which I have described in my first statement on Culture and Governance [WITN00760100] at paragraphs 236-242) but had not adequately educated people on the behaviours we wanted to see

or sufficiently embedded them in the performance management processes of the business.

78. The OHI had helped us build a plan but not deliver it. She agreed that the infrastructure for cultural change was in need of a refresh and that colleagues had 'outsourced' culture to the Ethos programme rather than taking ownership for it themselves within and across their teams. I placed significant trust in Karen. The transformation and reframing of the people program and the introduction of the Behaviours Framework, run and supported by credible and experienced people, is now hoped to make a difference but we are still at the beginning of the road on that. One of Karen's first actions was to employ businessfourzero to help us reframe our vision, our desired behaviours and strategic outcomes. We started with a realignment of the senior team. We introduced the SEG and the Leadership team (LT) as the new governance vehicles. Karen also restructured the People team to support this change. A new team with a mindset and objective of change.
79. As I say in my first witness statement [WITN00760100] there is still a long way to go culturally for the organisation. Progress has undoubtedly been made in Postmaster centricity and there are positive changes to acknowledge with the establishment of the leadership behaviours which lays out for colleagues what we expect to see. The impact of the Inquiry, most especially the human impact phase, the process of redress and the undoubted outrage of the nation has had a profound impact upon every colleague in the business. We must continue to harness this as a vehicle for change and not allow fear, risk aversion and a reluctance to take accountability to grip the organisation. Colleagues have told us there is more the leadership needs to do. We have certainly not always got

selection and recruitment right at the top of the organisation and the media hiatus over the Henry Staunton sacking and the Jane Davies 'Speak Up' claims (which I cover below in Part D of this statement) did little to build confidence. The new Chair has energy and purpose and this will be a welcome addition to the Board.

Relationship with Postmasters

80. I have been asked to address whether the culture at Post Office supports the building and maintaining of trust between Post Office and Postmasters, managers and assistants, and to describe my experience of both the Board's and the SEG's relationship with and approach towards Postmasters. In my view, whilst there is some way to go, a lot of progress has been made in this area since I arrived in the business. When I joined the organisation I focused upon a similar model I had used at Nisa which was communicate, engage, involve and support. This is the basis of rebuilding trust and building a better partnership with Postmasters. At its root is the reintroduction of a Field team. My predecessor (Paula Vennells) did not see this as a value adding activity. I believe it to be essential to re-building the relationship. This was a huge gap in the years before I joined. The Field Team is based upon a new regional structure which supports 94 Area Managers reporting to 11 Regional managers. The Area Managers are positioned as the first 'port of call' for all Postmasters. The ongoing development and empowering of the Area Managers is about ensuring they have the skills and capability to support Postmasters. I knew that establishing an Area Manager Team would take time and require training and support as we were in effect building from scratch. We brought in people who were fulfilling a variety of roles across the organisation. We knew we would not recruit a fully capable Field Team straight away and so

had to build a team with different skills from different parts of the organisation. This has required comprehensive structural training to make sure that we get everybody to the same level. We had to train, develop and also recruit Area Managers externally. We started with communication support, then operational excellence and commercial training.

81. When I speak to Postmasters, they don't give me the impression that the current trust issues between Postmasters and Post Office is wholly due to historic prosecutions and the matters under investigation by the Inquiry. Indeed rarely do current Postmasters wish to discuss it. Their most pressing issues appear from these conversations to be: remuneration, new product development, lowering operating costs and the long-term viability of the Post Office. Most recently Postmasters have however wanted to discuss how the relentless negative coverage is undermining the brand and how this effects the value of their business, ongoing customer footfall and the appetite of the shareholder to continue to invest in Post Office. This is often combined with the impact of the cost of living crisis, including spiralling costs as a consequence of the increases in living wage and business rates. The impact of which is that many Postmasters are struggling to make enough of a profit from their Post Offices, and this is a major issue.

82. As explained above, when I arrived at Post Office, I thought the relationship Post Office had with its Postmasters was fundamentally wrong: the Post Office view seemed to be that Postmasters were there to serve Post Office, rather than Post Office being there to serve Postmasters. My goal was to invert this dynamic and make Post Office Postmaster centric. To do this, I got the senior staff out of the

centre and into branches, via initiatives like Adopt an Area, listening groups, Christmas helpers etc (these are discussed further in my first statement, on Culture and Governance [WITN00760100]). This forced senior leadership at Post Office to better understand the Postmaster experience and to bring any insights or problems that they learned from the Postmasters back to the centre. (We capture these insights and work through them within the retail team). I have also asked the senior staff to be involved in the Restorative Justice meetings that have been taking place with Postmasters – this was very important to me, as I wanted my senior colleagues to have direct experience and understanding of the injustices that Postmasters suffered. In my view, these initiatives make senior leadership at Post Office more visible and accessible to Postmasters and staff in Post Office branches.

83. In respect of the Board, Postmaster NEDs have been an important part of trying to invert this dynamic. They bring a detailed and relevant understanding of current day matters to Board meetings in a uniquely credible way. This ensures the transparency of issues and an agreed and collective understanding across the organisation of the most important priorities. We have also started to invite Postmasters to my weekly '10@10', which brings Postmasters right into the heart of the centre alongside the growth in listening groups and regional and functional forums. There is of course much more to be done to rebuild trust with Postmasters and ensure that an equitable partnership is maintained between Post Office and Postmasters, but I consider that this is going in the right direction in resetting the relationship.

Surveys

84. I have been asked to set out my reflections on [POL00446680] (the Headline Results document relating to POL's 2024 Engagement Survey for SPMs), [POL00446704] (the Postmaster Survey Results slide pack), and [POL00446681] (the Engagement Survey slide pack). I addressed Postmaster surveys at paragraphs 244 – 247 of my corporate witness statement [WITN00760100], and I addressed employee surveys at paragraphs 248 – 252 of that statement.
85. In terms of the Postmaster and colleague surveys from 2024 that I have been asked to comment on, my reflections are as follows:
- a) In respect of the 2024 Postmaster results, it is notable that the engagement levels went up by 17% from last year, which is positive. I hope this means that Postmasters have trust in the survey process, as this is an important process for us and we want it to be as transparent as possible. This is why it is run by Quadrangle and the results of the surveys are circulated to all Postmasters by email. After the survey results, we hold listening groups with volunteer Postmasters, and we use the results and build the feedback from the listening groups, into our action plans. We also discuss the outcome of the results at the bi-annual Postmaster conferences. We discuss the results, outline the action plans and then account for our progress against the plans. Postmasters then have the chance to challenge us on this progress. This model is replicated across the conferences and again in the listening group meetings. The surveys this year were conducted in March, not long after the Mr Bates v Post Office ITV drama aired and immediately following the Henry Staunton

dismissal. This also followed many months of difficult issues, including; select committee hearings, disclosure issues, compensation issues and the bonus metric issue. I was therefore disappointed but not particularly surprised to see negative sentiment scores as these issues have plainly had an enormous impact on Post Office's reputation. We can also see this in our weekly brand tracker scores with customers. The fact that remuneration is one of top priorities that Postmasters raised was also not surprising to me, as this reflects my day-to-day interaction with Postmasters. There has been a polarisation in the sentiment results to an extent, with more Postmasters feeling valued and supported, but also more feeling unvalued and unsupported. This is complex, we believe this is due to the various negative external factors running in parallel to a number of positive developments which Postmasters appreciate like the development of 'pick up drop off' ("PUDO") and Branch Hub. I always read every verbatim comment that Postmasters provide in these surveys, as it's really important to me to receive this direct and unfiltered feedback. As stated in the survey, the key themes of our action plan arising from these results centre on: leadership and culture; reputation and trust; and future and strategy. In respect of our strategic partners, who account for some 23% of our Network, I was delighted to see the response rate and the increased level of satisfaction that our partners feel in respect of our engagement with them. There is of course further work to be done on better communications and consistency, amongst other matters, but I am encouraged that our strategic partner model is on the right track. What is important to understand following analysis of the scores and verbatim comments is that initiatives which have a direct impact on branches have the highest awareness and are perceived to

be the most useful by Postmasters. Initiatives such as the introduction of banking hubs, the introduction of multi carriers to branch, ordering improvements to marketing materials and the operational excellence visits and incentive all received positive feedback.

- b) In respect of the colleague survey, again I was not surprised to see that engagement was down by 11% and pride was down to 22%, in large part due to increased awareness of the historical issues, the failings of the past, the ITV drama and the various other events listed above. There is plainly a split between senior and junior colleagues and the levels of stress and strain they are exposed to. I am however encouraged that colleagues are still motivated and 58% of colleagues intend to stay longer than five years. I was very troubled by the results from colleagues with disabilities, from diverse ethnic backgrounds and senior women. Indeed, I was shocked by some of these results. I address in more detail the Equity, Diversity and Inclusion programmes Post Office has in train in the statement I have given in response to Rule 9(61) [WITN00760200]. In terms of dissemination of these surveys, these are discussed at a companywide Town Hall meeting and a summary of the results are emailed to all colleagues (they are also available on the Post Office intranet). A detailed breakdown is provided to managers (unless their team is too small and therefore doing so would compromise anonymity), for them to consider and feed into action plans. Action planning is conducted at a sub departmental level with a review and challenge process to ensure they are rigorous. All departmental plans are then discussed at SEG and from them the overall business wide plan is established.

86. I have also been asked to summarise what (if any) changes have been implemented within Post Office as a result of the information gained from the completion of these surveys. The changes Post Office have sought to implement to effect cultural change are explained at paragraph 257 of my first statement onwards [WITN00760100]. The key actions will be included in a general Post Office wide action plan supported by local functional plans. We have agreed to focus on three particular areas; disability, diversity, and senior women. Colleagues also told us they want to hear about the strategic intent beyond 2025 and that the lack of communication on this is undermining confidence. Clearly the outputs of our Chairman Strategic Review will help shape this response.
87. We have emailed all the survey outcomes to Postmasters and the results were posted on Branch Hub in May 2024. The Postmaster Engagement Director ran focus groups with volunteer Postmasters to help bring the results to life, help us interpret the findings properly and then build the right plans as a consequence.

Whistleblowing

88. I have been asked for my views about whether the culture in Post Office actively encourages whistleblowers to speak openly and honestly about their concerns and I am asked for my reflections about the adequacy and effectiveness of Post Office's current whistleblowing policies and procedures to summarise.
89. My view is that there has been a step change at Post Office in respect of whistleblowing, and over the last three to four years it has been very well developed. I consider that the whistleblowing champions are working well. In particular I consider it a positive development that, irrespective of the fact that

Postmaster are not 'workers' in law, they now are included in the scope of Post Office's whistleblowing's policies. Given Post Office's history of failing to listen to Postmasters, it's important that this remains the case. I would observe that there may now be a cultural issue within Post Office whereby people whistle blow when in fact it's a management issue and needs to be addressed through line management; however, this in itself suggests to me that the culture in Post Office encourages whistleblowing and allows people to speak openly.

90. Post Office's Speak Up strategy and policy are, in my view, well established and effective [Policy at **POL00448891**; strategy at **POL00448892**]. As stated above, ensuring that Postmasters are within scope of Post Office's whistleblowing policies is important practically (to ensure that there is a clear channel by which they can raise serious concerns) and symbolically (as a way of signalling that Post Office is, and will remain, committed to hearing Postmasters concerns). As stated in Post Office's two year Speak Up strategy, all new starters are made aware of the Speak Up function and there are communication plans in place to ensure both employees and Postmasters are aware of the function and how to use it (including via Branch Hub). There may of course be instances where some staff or Postmasters do not feel they can trust Post Office's Speak Up function, but I have confidence in the systems and team we have put in place and hope that we can continue to address any residual distrust by being consistent, transparent and fair in the way we handle Speak Up reports.
91. I have been 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, and if so, to answer some further questions about that.

92. I am aware of one set of allegations made against me and others by Jane Davies in September 2023, and I cover that investigation in detail below from paragraph 251, so do not address it further in this section.
93. As set out in the policy, the response to any Speak Up concerns raised is led by John Bartlett, Director of A&CI, as well as the Director of Legal within the business. The NED Champion (currently Amanda Burton) leads on this at Board level. I receive updates from them as a member of both the Board and the SEG, I am therefore made aware in general terms of the progress of the resulting investigations in those forums.
94. I exhibit to this statement a presentation [**POL00448907**] given to the Board by John Bartlett in August 2024 providing a progress update on complex investigations, some of which arose as a result of whistleblowing concerns. That document effectively sets out the whistleblowing cases of which I am currently aware, and they are:
- A. *Project Willow* – My understanding is that Project Willow relates to concerns raised about NBIT, but there are different strands to that investigation, which have been sub-categorised as Willow 1, Willow 2 and Willow 3. Willow 1 is not addressed in the report, but refers to concerns that issues with NBIT are being ignored by senior management. Willow 2 relates to concerns that the information provided to the Group Executive on the development of NBIT was flawed, and secondly that infosec elements of the design were deliberately turned off, affecting the reliability of the system, in order to progress at greater speed the programme's development. Pinsent Masons

and Grant Thornton have been engaged to independently investigate these matters. Willow 3 relates to an allegation made against Chris Brocklesby that, in order to prioritise the internal production of NBIT, he misrepresented an alternative proposal made by another company. The Board presentation notes that this investigation is being overseen by an Investigation Oversight Group (of which I am not a part).

B. *Project Acer* – The nature of this complaint was that the [REDACTED] [REDACTED] had instructed [REDACTED] team to destroy or conceal material of possible interest to the Inquiry with an alleged motive of protecting [REDACTED] who is a witness to the Inquiry, and also that [REDACTED] was racially discriminatory towards South Asian Postmasters and Post Office staff. Given the seriousness of these allegations, the Inquiry was informed of the matter, who subsequently informed the Met police. [REDACTED] is currently suspended as a precautionary matter, and the criminal investigation is, I understand, ongoing.

C. *Project Alder* – The nature of this complaint is that senior contractors in the Remediation Unit caused the handling of compensation claims to slow down to extend their tenure at Post Office. DLA Piper has been engaged to conduct this investigation.

95. Project Phoenix is also referenced in the document but I have not characterised that as resulting from whistleblowing concerns, rather from evidence at the Inquiry or at Restorative Justice meetings. I address Project Phoenix below in this statement from paragraph 229. Likewise, I do not understand Project Tiger,

referred to at the end of the document, to have arisen under the Speak Up procedure, so I have not included it on the above list.

96. I have already commented above that there has been a large number of Speak Up concerns raised over the past 3 or 4 years, which in part indicates positive engagement with the process. I cannot recall specific cases other than those I have listed above which were brought to my attention in particular, but I have been periodically made aware in outline of the work and progress of the NED Champion and the AC&I team in this sphere.
97. Protecting the identity of whistleblowers is central to Post Office's Speak Up policy, and as such I am not made aware of the names of any of the individuals who have raised the concerns referred to above.

Corporate Governance Arrangements

98. I have been asked to set out my reflections on the adequacy and effectiveness of Post Office's current corporate governance arrangements.
99. At the root of Post Office's corporate governance is the need to have a clear Shareholder purpose and policy which addresses the competing and misaligned objectives which currently exist across the various stakeholders who make up the 'Shareholder'. Inherent in Post Office's structure and model is a fundamental problem, namely, that its social purpose (in keeping branches open to serve the most vulnerable and isolated in our community) is at odds with its commercial model and the drive for financial sustainability. This is a problem that must be addressed head on. It is a question for Government, who set Post Office's policy as the sole Shareholder, and I have explained in my first statement on behalf of

Post Office [**WITN00760100**] the steps that Post Office and the Shareholder have adopted to address this. In the case of Post Office, it is the Teneo-led strategic review, and DBT have commissioned external support too. I cover this in detail in the my first statement on Culture and Governance at paragraphs 34-38.

100. Post Office has a problem in retaining corporate memory. This is a delicate challenge. On the one hand the business needs to retain an understanding of the issues of the past in a granular way and yet there must be no issue of bias and conflict in any of the decisions the Board is presented with. The current Board does not have a detailed understanding of, for example, what happened during the GLO or subsequently with the various compensation schemes. There is no current member of the Board who predates me. There is a tension between trying to introduce new and fresh perspectives to the business by recruiting new people, whilst trying to retain a sufficiently detailed corporate memory.

101. It is my view that the increasing volume of issues experienced by Post Office from mid-2022 onwards exposed gaps in capability and experience, putting unexpected pressure upon a new Board. This increasing pressure also highlighted a corporate culture lower down the organisation that promoted a reluctance to take accountability, pushing more decision making up to the SEG and Board which in turn frustrated and slowed the organisation, reducing its overall efficiency. I expressed my thoughts on the governance issues at Post Office in an email exchange with Alisdair Cameron and Tim McInnes on 26 March 2023, which I address further below at paragraph 107 [**POL00423699**].

102. Up until mid-2022 Post Office's corporate governance appeared, if not ideal, broadly fit for purpose while the business was operating in a comparatively steady state. Delays and debates on funding with the Shareholder were manageable, if sub-optimal. The delays in agreeing funding for HSS are a typical and relevant example. However, the fragility of the corporate governance structures was increasingly exposed from the time of Tim Parker leaving in September 2022. Henry Staunton took over in December 2022 (and was away for some time between December 2022 – February 2023). The pressures on the business increased very significantly and the shortcomings in its governance became apparent, particularly in light of funding issues around going concern, wrongful trading and the completing of the ARA.

103. During this period, besides working with the Inquiry, addressing day to day operational matters, (including RMG strikes and cyber-attacks) and seeking to keep the business economically viable, the Board and senior executive team had to deal with a succession of crises, including: the Transformation Incentive Scheme (the bonus metric), the disclosure failures in respect of the Inquiry, the compensation challenges, the going concern issue and race codification issue. The business was stretched and the leadership overwhelmed. There was limited capacity for long-term changes to corporate governance. I have expanded on those issues in my first statement [**WITN00760100**].

104. The crisis Post Office was experiencing was exacerbated by a large number of changes on the Board in 2023. This changed the structure of the Board and the nature and skillsets of its membership. One of the challenges in turning around a business that has historic failings, and which has real challenges to a viable

future, is the tension between the need for fresh perspectives and the need for corporate memory and understanding. I am now the longest serving Board member, and the only executive member of the Board. There has been equally significant change at the senior executive level.

105. On reflection, having a Deputy CEO/COO as a Board member would be invaluable during a period of operational crisis, particularly where the CEO role is more outward facing and where the business is heavily engaged with a public inquiry. The balance of executive to non-executive, particularly in the absence of an executive CFO, is not ideal. Indeed, the uncertainty over the CFO stretched back to March 2020, but it was not until June 2024 that the Board was able to make a change. This uncertainty was exacerbated given Alisdair Cameron was away from the business for personal reasons for almost 15 months before his departure. Neither Kathryn Sherratt, who acted as Interim CFO in his absence, nor Preetha McCann, who has replaced Kathryn, were executive Board members. Post Office remains a business with a single executive on the Board.

106. The outcome was that in 2023 the Board had little to no corporate memory of the events that had led us to our position, and Board members needed time, to get to grips with the business. The Board was also deeply engaged in remediation matters, which took up a very significant proportion of its time. In addition, as Grant Thornton was to identify, there were gaps in the skill set needed at Board level.

107. It was proposed that Grant Thornton be engaged to do a wide-ranging Board review and I was involved in preparing the ground to be covered. I was not alone

in identifying issues in governance in advance of GT's work. In an email to me on 23 March 2023 titled 'The robustness of our governance' [POL00423699] the then CFO, Alisdair Cameron, set out a detailed list of concerns, which are set out in the email.

108. Initially Tim McInnes Strategy and Transformation Director responded with his personal priorities that DBT & UKGI should get closer to the business, there should be more shared meetings, a need for a clearer role, better qualified colleagues, senior leaders from Government better understanding the issues, promoting a shared understanding and thereby achieving a better chance of addressing mis-aligned objectives. On 26 March I said, by reference to the work to be done by GT:

"I think we have some fundamental underlying issues — capability gaps at GE, a lack of experience at GE/SLP — colleagues don't know what good looks like, and a corporate culture that promotes/supports a reluctance to take accountability. We make it acceptable for people to opt out of taking accountability. These, for me, are the root causes of the breakdown in governance. I have never been in an organisation where every decision is allowed to be pushed up and its acceptable to do so...this is where GE colleagues are fundamentally at fault. Its acceptable and not embarrassing for senior colleagues to get the CEO to adjudicate on every decision that is awkward. Its deemed acceptable too to raise issues without solutions... its not acceptable. This is a cultural failing.

.....

We must also enrol a wider strategy team — I have briefed Jane and Tim on this — this is not to replace, but to augment GE.

My personal view has always been that subsets of the GE and SLP should govern the critical investment and operational decisions we make.... Not 'bringing everything back to GE'.

.....

There is an outstanding piece of work to design and implement a new operating model. We know that. We have to create the capacity and capability to execute and agree on what is/what is not, possible. This has now become more urgent, particularly given the SPM fix that we find ourselves in. As the Minister put it, late and double the cost... This challenge rests with Tim, supported by Ben and Jane”

109. Post Office in my view is capable of running in 'steady state' reasonably well i.e. at an operating level with Board oversight and when not required to seek decisions from the Shareholder; it is, however, weak at effecting change. Post Office has however struggled to clearly articulate its priorities and strategic vision and this has hampered long term planning and decision making. The Post Office Board has done well to navigate its way through given these unanswered policy questions, but issues of funding, always short-term in nature, have stifled the business's ability to deliver long term change. The Shareholder must enable the business to make decisions that are needs based, not funding driven.
110. Attracting, motivating, rewarding and retaining great talent has been a challenge for the Post Office over many years and although this is not expressly governance related, it has had a huge bearing on the Post Office's ability to respond to its multiple challenges. The current environment is especially worrying – the brand is damaged, morale is deflated and pride in the business greatly reduced. This is not so much about reward but more about creating the culture and the belief in the long-term viability and future of Post Office. We will need to get speedy alignment with the Shareholder to ensure Post Office can be a rewarding and meaningful place to work, once more.

Adequacy of Shareholder oversight

111. I have been asked to comment on the adequacy and effectiveness of the current oversight of Post Office by DBT and UKGI of a) Horizon; b) mechanisms in place to review Post Office's performance; and c) Post Office's compliance with its ethical and legal obligations.

112. I would observe that the relationship between Post Office and the Shareholder is complex. For Post Office, there are actually four distinct relevant entities within Government, each with their own priorities and dynamics: the Minister; DBT; UKGI; and the Treasury. The Minister and DBT are, in my experience, focussed on Post Office from a political perspective (largely on compensation and the Inquiry and the size of the Network), whereas UKGI and Treasury are focused on Post Office from a financial perspective. Those perspectives and priorities are often misaligned. In my experience, DBT and UKGI officials have gaps in strategic, operational and commercial understanding which hinders decision making and the pace of change.

113. In my third 'State of the Nation' [POL00458390] annual update to Post Office in April 2023, I observed:

"So the financial underpinning of the business is under considerable stress.

The situation has not been improved by what I think most people observed as a rather chaotic year in Government.

What our sole Shareholder the Government does and does not do has an enormous impact on us.

Yet, whatever the reasons, the Post Office has not had the benefit of a great deal of strategic policy attention in Government over the last few years either.

Don't get me wrong – we have had a huge amount of attention from Government in relation to the GLO over recent years, quite understandably – but we have to look back to 2012 for the most recent expression of Government's overarching policy towards the Post Office.

But for us, the show goes on as they say – we have to run the Post Office for today's Postmasters and their communities, even as we seek to resolve the past.

And we have, ever since 2012, diligently fulfilled the two principal requirements then made of us, and which have recently been reaffirmed by Government

A rather arbitrarily arrived at 11,500 outlets trading nationwide, meeting a much more sensible and important set of geographic access criteria.

I do not need to tell you that a financially constrained backdrop in which policy direction has not evolved for a decade does not immediately recommend itself as fertile ground from which to grow and thrive.

When the context in which you operate is so uncertain, there is a tendency towards treading water.

Expending lots of energy, becoming increasingly fatigued, but ultimately staying largely in the same place.

Well, we have been determined to avoid that response.

I will not shy away from stressing the importance of an adequate funding settlement in the long-run.

In the lead up to – and after – the 2024 General Election, I will be at the forefront of articulating, not only the need for financial certainty and strength, but the community and social benefit which stems from an adequately funded Post Office.”

114. I concluded that “*We have to urge Government, that, in the long-term, Post Office matters and needs clearer policy direction*”, and this remains my own view as CEO, and the view of Post Office.

115. During my Quarterly Shareholder Review meeting with DBT, issues with Horizon and SPMP would be discussed. Post Office agrees an agenda with UKGI and DBT, and then prepares a pack of information for the Shareholder in advance of

those meetings and answer any questions DBT raise. I also have a two-weekly call with UKGI and DBT. UKGI has a small team who are assigned to Post Office and if they have any questions for us, we answer them. As stated above, my view is that DBT is focussed on the political and UKGI is focussed on the financial, so the questions we are asked and the oversight that is applied in respect of Horizon is through those two lenses. I am not involved in the day-to-day communications with DBT and UKGI on Horizon and SPMP issues, as that would be handled by members of the Strategic Executive Group ("SEG") such as Chris Brocklesby, before his departure, or Simon Oldnall. As far as I understand, UKGI and DBT are not briefed on the granularity of, for example, any fix or release that is being applied to the Horizon system; however, that information is in the Monthly Information ("MI") and dashboards that the Board receives from the IT team and Lorna Gratton, the Shareholder representative on the Board, receives this. I think one problem that the Shareholder has had at having effective oversight of Horizon related issues is that there has not been IT specialists embedded within their teams. This is now being addressed to an extent as DBT have brought in Public Digital and Infrastructure and Projects Authority ("IPA") to review and assure Post Office's work on SPMP. However, these outsourced reviews are required because the core Post Office team at DBT is staffed by policy advisors without commercial or technical expertise, which limits the extent to which DBT can provide the right level of oversight of Horizon and SPMP [POL00448888].

116. DBT and UKGI apply oversight through their meetings with Post Office and by requesting information and documents. There are not formal mechanisms in place for DBT and UKGI beyond this information sharing by which Post Office's

performance, or its compliance with its ethical or legal obligations, are assessed. Both DBT and UKGI will be provided with any information and documents they ask for, and Post Office very regularly provides updates and information proactively. Again, DBT has direct access to Post Office through Lorna Gratton, who herself sits on all of the Board Sub-Committees. I do not know exactly what DBT or UKGI does with the information we provide them. Feedback from DBT or UKGI will come informally during our meetings and more formally via the Chair letter which sets out the Shareholder's priorities for the year.

117. I note that Lorna Gratton is in an unusual position, as she has the same responsibilities towards the organisation as the other NEDs, but she is also representing the Shareholder. She works for UKGI (part of the Treasury), but represents DBT as the Shareholder Representative on Post Office's Board. She is the only NED that works full time on Post Office matters which puts her in an asymmetrical position as compared to the other NEDs in relation to the level of information she receives. For that reason, and by her representation of the sole Shareholder of the business, Lorna has considerable influence over the Board's actions. It is in that sense an imbalanced Board. This was acknowledged by the three NEDs who left Post Office throughout 2023, and it was raised by them in their exit interviews, carried out by EY [POL00448681].

Culture at Board

118. I have been asked to describe the culture of Post Office at Board level and reflect on whether culture has changed following the CIJ and HIJ or resulting from

evidence arising in the Inquiry. I have also been asked to comment on the current composition of the Board with regards to experience, expertise and abilities.

119. The culture and capability of the Board has changed during the course of my tenure as CEO. At points, Post Office has had a very strong Board with experienced professionals, such as Carla Stent, Zarin Patel and Ken McCall. However, they served on the Board at a time when there was less overt scrutiny of the business and consequently they had less intense issues to manage and less government interference and bureaucracy. Tim Parker ran a good Board. After he left on 30 September 2022, the Board had a vacuum until Henry Staunton arrived. He was due to start on 1 December 2022; however, he was absent for a significant period of time. As stated above, there was therefore a leadership vacuum from September 2022 to January 2023. As I also explain above, Alisdair Cameron then left on sick leave in May 2023, which meant that I was the only Executive on the Board (and this remains the case). I note in my first statement, on Culture and Governance [WITN00760100], that the Board lost Carla Stent (February 2023), Zarin Patel (March 2023) Lisa Harrington (June 2023), Tim Parker (30 September 2022) and Tom Cooper (May 2023) in fairly close succession which, unsurprisingly, seriously impacted the Board's effectiveness.

120. Whilst the Board has been rebuilt and our Non-Executive Directors have been growing in experience (particularly in their performance at Board Sub-Committees, where I do see real improvements), Post Office's current Board is still bedding in. The current Chair has only been in post for 3 months and there are residual capability gaps to overcome.

121. It was not a surprise to me when we received Grant Thornton's Board Effectiveness Review earlier in June this year [POL00446476] and it was found that Post Office does not have a fully functioning Board at present.

122. In my view, the Post Office Board currently has a skills gap. We do not have Independent NEDs with strong experience of: retail; franchise operations; IT transformation; or culture change. We do have Amanda Burton on the Board, who is a lawyer, and this is welcome. The current Chair, Nigel Railton, understands that we have a skills gap. Henry Staunton understood this too, although I think his view was that the most important thing was to get the right people in terms of personality/behaviours on the Board, rather than looking for specific skills. In terms of recruiting NEDs, Post Office advertises for NEDs and this is managed by NomCo. Gatenby Sanderson is currently engaged by Post Office to identify potential NEDs with appropriate skills and experience relating to organisational change and IT capability. I believe given the level of crisis Post Office has faced, there should have been a lot more debate at Board on skills, types of individuals we require, behavioural mix/style and so on.

123. It is difficult to pinpoint whether, and how, the culture of the Board has changed as a result of evidence arising from the Inquiry. However, the Board has been shocked, appalled and distressed by some of the evidence that has come out of the Inquiry – particularly around the personal tragedies, prosecutions, IT / technical and cultural issues – and I have ensured that members of the Board have attended the hearings to hear the evidence, first hand. I do feel that this experience has led to an additional level of thoughtfulness in the way that the Board has approached issues. The Board feels its responsibilities very keenly

particularly around support for the Inquiry, speed of compensation and most recently cultural change. The discussions on Past Roles and Project Phoenix have elicited highly emotional debates. The discussions around current colleagues attending and providing evidence have been equally challenging. However, as the Post Office has been in crisis for some time, with multiple issues facing the Board at any given moment, it is difficult to clearly ringfence or delineate the ways in which the culture of the Board has changed as a result of the Inquiry evidence in particular.

Culture at SEG

124. I have been asked to describe the culture of the SEG level and whether this has changed following the CIJ and HIJ or resulting from evidence arising in the Inquiry. I have also been asked to comment on the current composition of the SEG with regards to experience, expertise and abilities.

125. The SEG is in transition. When I came into the business, I decided to replace a number of individuals at Group Executive ("GE") level as I didn't think we had the necessary capabilities. I also decided to move marketing and communications to the GE, as I wanted to improve our messaging and focus onto consumers and Postmasters.

126. As identified above, however, it is difficult to recruit talented individuals into the business as Post Office is constrained by its somewhat damaged brand and by the constraints on the remuneration/incentives it can offer. I have approached numerous people to join Post Office in the last five years who I felt would be a real asset to the business, but who have not wanted to join. We have had a

significant degree of churn at the SEG level, for example, I have had five Chief People Officers during my tenure, and three Chief Financial Officers. Our Chief Retail Officer has recently departed. Our Chief Transformation Officer will depart at the end of a fixed-term contract on 6 September 2024. Our Deputy CEO retired in August. At present, the only member of SEG who is not in an interim position is Karen McEwan, as Chief People Officer, who joined in September 2023. Whilst the shape of the GE remained relatively stable until I slimmed it down to become the new SEG earlier this year (which reduced my direct reports and is designed to speed up decision making), this level of churn at the SEG level has been significant and destabilising.

127. It is self-evident that Post Office has struggled for many years to attract and retain great colleagues at the SEG level. This in turn has slowed progress. It is undoubtedly difficult to get things done in an environment that is overly bureaucratic and where there are significant constraints and obligations in being a publicly owned organisation operating in a competitive market. The Post Office has simply not been an attractive place to work and to build a career in the last 4 years of the inquiry and media scrutiny.

128. As a reflection of the degree to which there has been instability in the membership of the Board and the SEG, I am the longest serving member of both of those groups. I see my role as CEO as providing visible and consistent leadership during this period of extraordinary change and crisis. It is my job to provide hope and belief for colleagues, particularly during the intense scrutiny Post Office is experiencing. Ensuring colleagues feel valued and come to work because it matters is important to me, and I consider it my role to communicate that across

the board. Due to the extent of churn and flux at SEG, I do feel I have been drawn into the detail of operational issues that would ordinarily have been kept off of the CEO's desk. Day to day crisis management inevitably impacts upon my ability to build and put in place long term strategies.

129. Mindful that there has been a change in the membership of the SEG since the Inquiry started, speaking of one culture is difficult. Undoubtedly, SEG has been impacted by the harrowing evidence given at the Inquiry and as mentioned, at the Restorative Justice meetings and this has fed through to the work that we have done around becoming Postmaster centric, which has not simply occurred as a result of the two judgments. I address in further detail in paragraph 197 of my first statement on Culture and Governance [WITN00760100], the introduction of additional Postmaster interaction with the SEG, store visits, the Perfect Day initiative, a Day in the Life, Adopt an Area. All are about the leadership of Post Office getting closer to Postmasters. As noted, as well as hearing the evidence from the Inquiry, SEG members have attended Restorative Justice meetings, and been profoundly disturbed by what they have heard, particularly about the audit, investigative and prosecutorial behaviour. That has impacted and driven the changes we have made, and resulted in the progress made towards becoming Postmaster centric.

Skills at Board and SEG

130. I have been asked for my views on the desirability of a) Postmaster representation on the Board; b) legally qualified Board and/or SEG members; and c) Board and/or SEG members with IT experience.

131. In respect of Postmaster NEDs on the Board, I have set out my thoughts on this at paragraph 133 onwards. In respect of having lawyers at Board and SEG, and people with IT experience, I entirely agree that both are essential. When I first arrived at Post Office we did not have a lawyer on the Board and Tim Parker recognised this. Ben Tidswell was recruited and filled this gap. At present, we have Amanda Burton on the Board who is a lawyer. At SEG, the General Counsel is a permanent attendee at SEG meetings. I do think that we lack IT experience on the Board. Lisa Harrington had led IT transformation at BT before her tenure at Post Office and this was a helpful and a reassuring capability for the Board. We don't have the equivalent experience now, but I know in the recently commissioned process for the next NED appointment this is a core requirement. Post Office's IT Transformation Director is a member of SEG and therefore we have that expertise at a senior level.

Board and SEG relationship

132. I have been asked to summarise my experience of the relationship between the Post Office Board and SEG. I expect that everyone at Board and SEG will have a different view and perspective on how this relationship plays out. From my perspective, I thought that the relationship between the Board and SEG/GE was at its best when Tim Parker was Chairman. He promoted social interaction between the Board and GE, and we would meet formally but also socially. The atmosphere between the Board and GE was more collegial, more challenging and more engaged. Henry Staunton did not value this informal interaction in the same way and as such there was not the same level of social interaction between the Board and GE whilst he was Chair. At present, the relationship between the

SEG and Board is quite transactional and has been fairly strained. This is not helped by the current instability in the SEG, with most posts being filled with interim appointments.

Postmaster NEDs

133. I have been asked to summarise my experience of the relationship between the Postmaster NEDs and the other members of the POL Board. As stated above, I think the introduction of Postmasters onto the Board is a very positive development and I am keen for it to continue to evolve and flourish. I only see the Postmaster NEDs communicating with the other NEDs when I am at the Board or Committee meetings, and am aware that their NED only sessions may have a different dynamic to which I am not privy. My experience of these interactions is that the relationship between the Postmaster NEDs and other NEDs is collegial and supportive. My view is that the Postmaster NEDs have some of the strongest voices on the Board, save for the Shareholder Representative, and their opinions and observations carry much weight. I think the Board hold a lot of respect for them, as they represent the voice of the Postmasters and provide genuine operational insight and experience. I think it is fair to say that they are mostly (subject to what I say below) given the time to air their views in Board meetings, and maintain a powerful influence across the business, particularly in Retail where they have regular meetings and voice their opinions to advocate for Postmasters and for change. My first statement, on Culture and Governance [WITN00760100], paragraphs 94-99 set out the Postmaster NED improvements taking place.

134. Having Postmasters on the Board is very new for Post Office and there are still elements of the role to be worked out, to suit both the Postmaster NEDs and Post Office. For example, one issue that does require some attention is how much operational detail the Postmaster NEDs bring to the Board. The Postmasters are understandably much closer to the operational realities of the business than the Board and want to share that experience during Board meetings; however, there can be frustration within the Board as we become overly tactical and this level of operational detail should more properly be dealt with at SEG. I have sometimes observed the Chair trying to move the discussion away from these types of detailed operational matters, perhaps for understandable reasons given the pressure on the Board's time. As a consequence I think they may have felt 'closed down' in board meetings. I come back to this below, further to the media articles around the Postmaster NEDs.

Key external stakeholders

135. I have been asked to summarise my understanding and experience of both the Board's and the SEG's relationship with key relevant external stakeholders, such as the National Federation of SubPostmasters (NFSP), Communications and Workers Union (CWU), Fujitsu, UKGI and the DBT. I take those in turn, as follows:

- a) I meet with the NFSP's CEO (Calum Greenhow) on a quarterly basis. I also meet with the NFSP every two months, CWU regularly but without a set timetable and the Voice of the Postmaster quarterly. The Deputy CEO (currently Owen Woodley), CPO (currently Karen McEwan) and Chief Retail Officer (Martin Roberts up to his departure in July 2024 at which point the role

was made redundant) also typically attend this meeting with me. The Voice of the Postmaster is, in my view, a powerful group that coalesced early on in the cost of living crisis in 2022 and it grew in numbers very quickly. I also attend the NFSP conference yearly and meet with members of their council and we talk through national issues. In my view, the relationship is collegial and respectful. We clearly have different ways of working and different priorities but I think we are able to get things done and I hope NFSP would consider that it now has better access to senior leadership in Post Office than historically. This relationship is managed at SEG and the Board does not have any formal interaction with NFSP (it's possible the Postmaster NEDs (Elliot Jacobs and Saf Ismail) meet with NFSP informally, but I am not privy to that)

- b) CWU was involved in litigation against the Post Office regarding the status of Postmasters - Project Starling - (e.g. as workers, contractors or self-employed), which was obviously difficult; however, that litigation has now resolved. I am aware that the CWU is dealing with difficult issues connected with the sale of Royal Mail Group. The CWU's relationship with Post Office has stabilised, most specifically because we have not actively been closing DMB branches which are heavily populated by their members. Additionally we had a two year pay deal which has also minimised the need for senior interaction. It should be noted that there is a desire from the CWU to represent and negotiate on behalf of Postmasters. This representation is not formally recognised by Post Office. From my perspective I have a good working relationship with Dave Ward, the General Secretary. Again, this relationship is managed at SEG and the Board is not directly involved.

- c) In respect of Post Office's relationship with Fujitsu, I comment as follows:
- i. From my experience, Post Office's relationship with Fujitsu is defensive and suspicious, from both sides. From Post Office's perspective, we have had concerns about the level of access we have had to Fujitsu's systems and data. By way of example, Post Office asked Deloitte – one of its Internal Audit co-sources partners – to carry out a review in 2023 of Privileged Access Management in some Post Office branches to review aspects of privileged and remote access rights to Horizon. Simon Oldnall has provided further detail about this in his third statement [WITN03680300]. In summary, Fujitsu did not fully cooperate with the audit or provide Deloitte with the required Horizon access; as such, Deloitte could not assess the effectiveness of privilege access controls over Horizon. I understand that Fujitsu raised the fact that it wasn't a contractual obligation to cooperate with such testing. This caused considerable concern to Post Office, and to me personally. Fujitsu took a similar approach in relation to the annual audit carried out by EY, and would, again frustratingly, not release documents to be checked against information we had received directly from them.
 - ii. From Fujitsu's perspective, I think they are suspicious of Post Office and my feeling is that they consider some members of our Board are 'anti-Fujitsu'. Fujitsu recently sent Post Office correspondence raising concerns that they were being asked to give expert opinion in prosecutions against Postmasters, amongst other matters – that was not the case, and we reassured Fujitsu that Post Office would never again prosecute Postmasters, but we would comply with requests for assistance from the

police or CPS if asked which may necessitate assistance from Fujitsu. [Correspondence with Fujitsu exhibited at **FUJ00243199; FUJ0024301; FUJ0024304; FUJ0024309; FUJ0024311**]. Again, I think that correspondence was borne out of a suspicion and distrust within the relationship. It is also worth noting that Post Office has negotiated with Fujitsu a standstill agreement in respect of potential legal claims it may have against them, until the end of the Inquiry.

- iii. Post Office has – understandably, in my view, given the findings of CIJ and HIJ - put a lot of pressure on Fujitsu to perform and assist with various remediation projects run by Post Office. Post Office has felt at times that Fujitsu was slow to deliver and lacking capability, whereas I think Fujitsu felt that Post Office were unappreciative of efforts that Fujitsu was making above and beyond contractual obligations.
- iv. Post Office and Fujitsu are both in a difficult position: Fujitsu has made it clear that it wishes to end its relationship with Post Office, and Post Office and Fujitsu are in agreement that Post Office should move off of Horizon as soon as possible; however, for that to be achieved, Fujitsu needs to assist Post Office in maintaining Horizon and the Network whilst Post Office builds SPMP. To facilitate this, Post Office is seeking to negotiate a contract extension with Fujitsu beyond 2025. This highly unusual situation is of course intensified by scrutiny on both companies from media, Parliament and the Inquiry – Post Office is under pressure from politicians to demand that Fujitsu contribute to compensation (which they have said they will do as a moral obligation at the end of the Inquiry), whilst at the same time

managing a somewhat fragile relationship and negotiate a contract extension, all the while ensuring the contract performance is satisfactory.

- v. Personally, my relationship with Paul Patterson, CEO of Fujitsu Europe, is professional and cordial. It is important for Post Office and Fujitsu to maintain a functioning and professional relationship going forward, for the sake of the Network and Postmasters, and I think both organisations understand that. The Shareholder will also need to commit to the funding required to extend and maintain the contractual relationship.
- vi. The relationship with Fujitsu is managed by the SEG. Post Office's Board is new and I do not think any Board members, save for myself, have met with Fujitsu. Whilst the position is obviously complex and nuanced, I do see a distinction between Fujitsu's relationship with Post Office's Board and SEG. As stated above, Fujitsu doesn't meet with the Board. Fujitsu are more familiar with Post Office's SEG. I have discussed Post Office's relationship with UKGI and DBT above.

Legal professional privilege

136. I have been asked to address to what extent I understand issues of legal professional privilege and the extent to which such information may be shared with the Board and the Executive of a company. I have also been asked to address whether the provision of legal information to the Board (and the relevant mechanisms) is sufficient and any concerns I have in that regard.

137. I do not have a good understanding of legal professional privilege. I understand in broad terms that it is about the legal relationship between an individual and their lawyer and the protection of confidentiality that exists in that relationship. However, the nuances of privilege, and how it is applied, appears to be very complex and there doesn't seem to be a lot of clarity from lawyers on this point. It is an issue that regularly comes up at Post Office, and these are still conversations that are going on at Board and SEG about privilege. My sense is that there is not a good understanding of privilege across Post Office and even amongst lawyers there does not seem to be a coherent and clear set of principles as there appears to be so many unique examples and exceptions. I do not have a good understanding of whether privilege is lost when you share legal advice, including within a company like Post Office, and I rely on General Counsel and external Counsel's advice on these issues.

138. I think all members of Board and SEG understand that there were issues in the past whereby key legal advice did not reach the Board because there was a nervousness around losing privilege. I think there has been a level of paralysis on some issues previously because people didn't understand the legal or commercial implications of what would happen if a sensitive document were to become part of the public domain. As there was that lack of understanding, maintaining privilege became more of a fraught issue.

139. I have not been aware of any legal advice that has, during my tenure, failed to reach the Board due to concerns around privilege. I also see full legal advice in SEG and Board packs, not just summaries of legal advice. However, I only know what legal advice I am privy to. There is, so far as I understand, no central list or

tracker of all external legal advice that Post Office has requested. As such, I don't have a good oversight of whether I am seeing all key pieces of legal advice and therefore can't be sure that key legal advice is reaching the Board. On reflection, I consider that there may be scope to improve the level of oversight the CEO has over the scope of legal advice that is being sought across the business, perhaps in the form of MI or a dashboard. I do feel that Post Office is too reliant on outsourced legal advice, because there is a lack of resources in house. I think this is a cultural issue that Post Office needs to tackle.

Knowledge of Horizon IT system

140. I have been asked to summarise my understanding of and experience with the Horizon IT system. This has changed over time. When I first joined Post Office, my knowledge of the Horizon IT system was limited. I recall that Rob Houghton, the outgoing Group Chief Information Officer, spoke with me at a high level about historic issues; firstly, that Fujitsu ran all branch hardware and software – applications, hardware, network and support – up until 2012. Post Office then moved to a new service model with all IT outsourced to ATOS, Computercenter for desktop, Verizon for network, Fujitsu for application and Accenture for digital and back office. Post Office retained 30 largely non-technical staff. Rob Houghton updated me on the abortive attempt of Post Office to move off Fujitsu to IBM in 2015. Post Office, he believed did not have the 'change capability' to execute this and the subsequent settlement with Fujitsu was 'ugly'. He described that the main retail application, Horizon, had been added to over many years e.g. when Post Office decided to sell telecoms, passports. Consequently Horizon became a complex bespoke architecture with an aging staff in Fujitsu that understood it and

that team was getting smaller. The focus had been on stabilising the operation, improving security and trying to renegotiate the commercials. It became apparent that there was no agreed strategy for the future, primarily because Horizon had not been designed to be 'integrated 'and doing so was fraught with difficulty.

141. I completed a two-day classroom training in Swindon on Horizon during my induction, which consisted of instruction on how to use the Horizon system for day-to-day tasks. I was keen to complete this training, as I wanted to familiarise myself with the system. The intention was that I would complete the training and be able to operate the system myself, so as to have a good understanding of how it worked and a better understanding of back-office operations. There were other people (including Postmasters and assistants) doing the training at the same time as me. The trainers were excellent; however, all of us completing the training found the system difficult to use. I recall the trainers gave the Postmasters reassurance that they would have further assistance when they started using the Horizon IT system in branch. The system was not intuitive and the basic accounting processes were complex and difficult to execute. I could readily see why Postmasters would make manual errors while using the system. Having previously worked at Tesco, I felt I had a fairly good understanding of what a good EPOS (Electronic Point of Sale) system should look like. It was clear the Horizon IT system interface was not intuitive and would need to be upgraded. After this in-person training, I then completed an online training session on the Horizon IT system.

142. As stated above, when I joined Post Office I read the CIJ summary and then a marked up full version and therefore had an understanding that there had been

issues with the Horizon IT system and that Postmasters had alleged that there had been various bugs, errors and deficiencies (“BEDs”). I did not – and do not – have a technical understanding of the BEDs, as I am not an IT expert. My understanding of what the issues had been with Horizon was obviously greatly improved once the HIJ was handed down in December 2019. I was curious to know what had changed with the Horizon systems to allow Fraser J to make the distinction between the older versions of Horizon, which were found to be not robust, and the current version of Horizon, which was found to be more robust. Given that I was not an IT expert, I did feel a vulnerability about the technical aspects of Horizon as I was reliant on others to brief me, and it was such an important issue. I recall having conversations and meetings with Jeff Smith, the then Group Chief Information Officer, about this. We spoke very regularly and he talked me through the issues, what fixes were required to improve the current system, and who we might need to bring in to help us with the technical improvements (e.g. BDO, KPMG etc.). I was reassured by Jeff, and other colleagues, that the current system of Horizon was operable and that we would put in place programmes of work to improve the system based on the HIJ findings.

143. During this time in 2019 and early 2020, I was struck by how much Post Office had outsourced its technical capabilities to Fujitsu. Horizon was and is Post Office's most important system, yet there was limited understanding of how it worked internally within Post Office and as a consequence the contract between Post Office and Fujitsu was not maximised.

144. As stated above, I drew a distinction in my mind to an extent between the older Horizon systems, which had been subject to serious adverse findings, and the

current system, which required improvement but was operable and more robust.

I did not spend much time digging into the technical details of the HIJ, as I was more focussed on the future, to achieve cultural change and drive modernisation and commercial improvement.

145. I have continued spending time in branches and speaking to Postmasters about the Horizon system during my tenure as CEO. During these branch visits, Postmasters rarely or never raise problems with the Horizon system with me (and I do ask if they experience problems with the system) – invariably, the primary issues they raise with me are around remuneration.

146. In light of Post Office's historic reliance on Fujitsu, I was keen to ensure that Post Office had ways of managing and overseeing the Horizon system itself. For this reason, Post Office has developed a Horizon monitoring and alerting system that is independent of Fujitsu, called App Dynamics. This is in around 5,000 counters and monitors the performance of Horizon, giving us a sample of how Horizon is performing. It allows us to be alerted to more widespread issues which could impact on branches. This gives me reassurance that I will get early warnings of changes in the system, and allows us to notify Postmasters of potential issues when things have gone wrong and when a fix needs to be deployed. I am also given statistics and data about the Horizon system through the monthly Technology dashboard and the Retail dashboard and MI, which I pay close attention to. As stated above, I am not a technical expert so I am reliant on others giving me this information. I would also go to my senior team (including Chris Brocklesby, and Mel Parkes) if I have specific questions about the information I am receiving.

Lessons learned for SPMP & funding

147. I have been asked what my understanding is as to the extent that lessons learned from the rollout of Horizon have been implemented by Post Office in the development of the SPMP, and how effective those changes have been. I have also been asked to set out any concerns I have regarding the Government's involvement in this, including in respect of funding.

148. To broadly summarise, the SPMP aims to replace Horizon with a new branch IT system ("NBIT"). SPMP is a highly complex project. The aim is for the system to be future-facing and cloud-based, to provide Postmasters with a more intuitive and efficient system for many years to come. This requires Post Office to build a new system, which is a more complex ask than simply replacing the Horizon system with something similar.

149. Simon Oldnall has (so far as he is able, given that he is not personally involved in SPMP), addressed in his corporate statement the ways in which SPMP is subject to oversight and governance and the ways that the findings of HIJ and CIJ have been addressed in in the development of SPMP / NBIT. I agree with what Post Office has said corporately in that regard.

150. The most important thing for me is that SPMP is designed with Postmasters, for Postmasters. It is crucial that they are at the heart of the SPMP development process (including design, build and rollout), as it was clear from the CIJ, HIJ and evidence arising from the Inquiry that Postmasters were not properly involved or consulted in respect of Horizon. As Simon Oldnall explained in his statement, there have been dedicated sessions of Post Office's Horizon IT Working Group

since June 2021 to ensure that Postmasters inform the design and build decisions (including operational, technical and training). Engagement sessions were run by the Postmaster Engagement Team and attended by Postmasters. The feedback given by Postmasters in engagement sessions is fed back into the design process. In my view, Post Office has engaged well with Postmasters in respect of SPMP.

151. We want to 'de-risk' SPMP as far as possible by engaging Postmasters at every step of the way, and by rolling out NBIT gradually and incrementally. This incremental approach will include running both Horizon and NBIT during the roll-out, so that Post Office can monitor any issues or risks (with limited disruption to Postmasters, who will only interface with one system). Post Office will also engage with Postmasters in respect of training (before, during, and after migration to NBIT), and new contracts. The system is built by Postmasters, for Postmasters. Importantly, there is an IT Postmaster forum (see my statement on Culture and Governance), which has had around 250 Postmasters engaged to date in reviewing NBIT, and inputting their ideas.

152. There have been various problems and obstacles with NBIT, and the project is delayed. This is in my view due to the technical complexity of the project, difficulties with funding and the culture of Post Office at present. As identified by Grant Thornton in their governance review report [POL00446477], the culture at Post Office is currently one of fear around decision making and risk aversion. It is difficult for people to take accountability, because both the stakes and the scrutiny are high. These are known problems. I do think that Post Office understands the problems of the past and understands what needs to be done

differently with SPMP. The challenge is executing this in a timely and cost-efficient way.

153. SPMP is plainly a highly complex project for the Shareholder to oversee and fund.

As stated above, one of the problems the Shareholder has had is that it doesn't have the skills and capability 'in house' to fully understand a project of this scale. As a result, DBT or Government more widely has commissioned various external assurance from Interpath, Public Digital, IPA etc. Whilst this is understandable and addresses a skills gap within DBT, it clearly adds another layer of complexity and anxiety to an already stretched change team. The process for obtaining funding for NBIT from the Shareholder is not straightforward and does need to be seen in the context of wider issues around funding, which I address here.

154. There are various layers of bureaucracy that Post Office has to navigate, which

does not aid our programme of delivery and has at times been extremely difficult. As the Shareholder is Post Office's only source of funding, Post Office is dependent on the Shareholder and needs to fit in with its funding cycles, including the timing and processes that that entails. Whilst a level of bureaucracy is understandable, as we are dealing with public money, the process of making a funding application, delays in the consideration process, and shortfalls in the funding ultimately provided, all present real challenges for Post Office. Funding has been a major distraction, been hugely time consuming and DBT has never met our funding requests in full. This has created a deeply challenging situation for Post Office, for instance in the funding round for 2021, we asked for £415m, were offered £202m and eventually after 5 further months received £335m.

155. The issues around funding have reached to all corners of the business, including constant delays in funding the Horizon Shortfall Scheme, the going concern issues impacting the timely publication of our Annual Report and Accounts, working capital and so on. These have been hugely complicated and a massive distraction. These working difficulties need to be resolved.

PART C - Redress and Compensation (comprising: Horizon Shortfall Scheme, Overturned Convictions Scheme, and Group Litigation Order Scheme)

1. Approach

156. I have been asked a series of questions regarding redress and compensation. Some of these questions relate specifically to one of the schemes, but others relate to the schemes overall.

157. To assist the Inquiry, I have adopted the following approach to these questions. I make some preliminary remarks so that my answers to specific questions can be understood in context, then I address the specific questions in relation to the individual schemes and then consider the schemes collectively. I have responded to those questions for the Horizon Shortfall Scheme ("the HSS") first, then addressed the issues which are specific to the HSS. I then return to general questions relating to the Overturned Conviction Scheme ("the OC Process") and then address issues which are specific to the OC Process. Lastly, I have addressed the Group Litigation Order Scheme ("the GLO Scheme") separately; however, for the reasons discussed below my response is brief. I have then considered the parity of the redress schemes overall (as I have been asked to do specifically). I hope this is a satisfactory way of addressing the questions

however, I am happy to revisit these questions in any way the Inquiry sees fit, if that assists.

2. Preliminary Remarks

158. It has always been my opinion that Post Office should not be involved in the administration of redress, and I have been very clear that such processes would best remain independent of the Post Office including oversight of the redress processes.

159. I have obviously been a Board member during their existence and therefore retain ultimate responsibility for their processes and decisions (alongside other members of the Board).

160. The redress processes are governed and designed by the Remediation Committee ("RC"), a sub-committee of the Board. Whilst I would have supported and assisted in setting up the RC, its membership was chosen by NomCo and then ratified by the Board. The redress schemes were signed off by the RC which I am not a member of. However, some of the decisions would have been raised to the Board.

161. As CEO, I appreciate I am the "public-face" of Post Office redress schemes. However, in my role as CEO, I have made no decisions regarding either the HSS, the OC Process nor the GLO Scheme. Specifically, I did not design either of the Post Office schemes (HSS or the OC Process) and I have not been involved in any individual compensation decisions concerning Postmasters.

162. I would have been updated on progress and issues as the line manager of Simon Recaldin, (Remediation Unit Director) with whom I would have planned meetings on a monthly basis but interacted with on most days. I have regularly spoken with Simon throughout his tenure about the redress processes, as a result of my own responsibility to understand the processes from a Postmaster's perspective. I would often take the information from Simon and feed that back to Carl Cresswell and Lorna Gratton in our twice monthly meetings and in my 121's with Carl, where information was very much shared both ways.

163. At SEG and/or Board, we may have been presented with process charts in relation to redress processes, but I do not recall being walked through any individual case studies of individuals nor how the processes worked in any substantial detail. It would not have been appropriate for the Board to be involved in that level of detail. The Board's role was not to consult, debate or approve the design of the redress schemes or get involved in individual cases. The Board's role was to address how these schemes would be funded, and to ensure that the organisation has the funding to support the delivery of these schemes. That has been a major focus for the Board since the schemes were conceived. The Board set up the RC which reported to the Board on its outputs. There were aspects of the schemes that took up a huge amount of my executive time in an outward facing role before Select Committees as I have set out in paragraph 30(b)(i) of my first statement, on Culture and Governance [WITN00760100], including issues relating to taxation, access to legal advice and complexity of the application. My meetings with Government have largely been around the source and speed of the funding.

164. I have found a number of questions regarding the fairness of the schemes difficult to answer. On the one hand, any redress scheme has to be understood against the background of Post Office managing public money and has to be fair to the taxpayer, so I understand the arguments that a legal process should be used to benchmark levels of redress that should be made available. On the other hand, the amounts available through the courts can be ungenerous and that feels unfair to me. Post Office has adopted the mantra that we would not be criticised for overpaying redress but, as I said in an email to Lorna Gratton on 1 May 2023 [POL00458427], that we would be slaughtered if we took too long to pay, particularly for those Postmasters with overturned convictions. However, we have been thwarted in our desire to do so, in part as a result of Government control and oversight but also the speed (or lack thereof) in decision-making processes and efficiently delivering the schemes. We do take responsibility for causing some of the delays which I talk to in my first statement [WITN00760100] and elsewhere in this statement.

165. Some of the experiences I have learnt about during the restorative justice process (described further at paragraph 174 below) have demonstrated to me that payouts typically made by the courts are not adequate (in my view) to redress the personal trauma and experiences of the Postmasters and their families. Post Office has struggled internally with this dilemma. Ultimately however, Post Office is required to work within the parameters signed off by Government.

166. Some of the questions I am asked concern my view on legal matters (e.g. whether the schemes adequately match the heads of claim available through the courts). My reflections are based on my sense of what is fair, in a non-legal sense, taking

into account all the circumstances and my lay person's understanding of bringing claims for redress.

167. Similarly, I have been asked a series of questions regarding the tax treatment of redress paid under each scheme. First, in my view, monies provided under the schemes should not be subject to taxation. This is redress to put affected individuals back in the position they would have been had they not been impacted—it is not income. Second, in relation to tax treatment of redress payments, this is a matter for HMRC and Government. Post Office does not determine how and who should be paying tax. Post Office took advice (including from HMRC) and strived for tax fairness across all of the schemes, and we wanted it to be fair; we thought we were doing the right thing in this regard.

168. Ultimately, I am not a tax expert, so my reflections are based on my sense of what is fair taking into account all the circumstances and my lay person's understanding of the scheme's impact on tax.

3. Horizon Shortfall Scheme

169. I am asked to summarise my involvement in the decision making for each scheme. With relation to the HSS, my involvement in the decision making of the scheme is as described above. Ultimately, I have had no formal involvement in the design of the HSS.

170. As the Inquiry will be aware, the Post Office bears the administrative and operational costs of HSS and Treasury funds the compensation itself.

171. I am asked to summarise my oversight of each scheme. With relation to the HSS, the scheme is overseen by Simon, his colleagues in the Remediation Unit (“the RU”) and the RC. As set out above, I am not a member of the RC. As Simon’s, and formerly Declan Salter’s, former direct line manager, I had a fair degree of oversight of the individuals responsible for coordinating the schemes. However, to eliminate any suggestion of a perceived conflict of interest, Simon now reports to the RC and is line managed by the General Counsel (Inquiry).

172. I am asked to consider whether all reasonable steps have been taken to engage Postmasters who are eligible for the redress schemes. With regard to the HSS (and the OC Process), I have been very keen that all possible steps could be taken, and I do think we have done a lot on this front. That said, I know we will not have reached everybody and that is a matter of some personal regret. In relation to the HSS, Post Office wrote to 7,100 current and 20,000 former Postmasters setting out the details of the scheme so that Postmasters could make an informed decision as to whether or not they wanted to apply. In May 2020, Post Office updated its website with details of the HSS and arranged for publications in national, regional and weekly newspapers. Post Office also wrote to the Inquiry requesting that it assist Post Office with publishing certain information and requesting that Postmasters come forward. I also asked the Select Committee when questioned if it could assist. In addition, just at the planned closure of HSS in March 2024 at the end of the 3 months it was originally intended to operate, and in line with Treasury rules requiring approval for an extension to the scheme, I pressed Government to allow later applications. HSS

is still open for applications and we will at some stage agree a closure date with Treasury.

173. Post Office has been sensitive to the fact some Postmasters do not want to engage with us because of the trauma they have experienced at the hands of Post Office previously. This is why we have engaged other bodies to contact Postmasters on our behalf. I have set out below (at paragraphs 209 to 210) further details regarding this engagement.

174. Since June 2023, I have attended approximately 40 of the over 60 Restorative Justice meetings conducted. I attend with Simon and it is an opportunity for Postmaster victims and sometimes their family members to meet with us, tell us their story and share their experiences and who they blame. It is an opportunity for Post Office to accept blame and apologise to them. It was as a result of these meetings that I came to fully understand the depth of trauma some Postmasters experienced as a result of Post Office's actions. Additionally, ideas regarding engagement with Postmasters stemmed from these meetings and resulted in Post Office contacting local and national papers. The Criminal Cases Review Commission ("CCRC")¹ activity occurred prior to the Restorative Justice meetings starting.

175. My impression is that the mindset of the RU and of Simon is a determination that the Post Office reaches everyone it reasonably can who has been affected. My sense was that we were very open minded in considering all manner of engagement ideas. This included approaching ITV to request an advert/note at

¹ CCRC were engaged as a result of Post Office receiving feedback from Postmasters that they were too traumatised to engage directly with Post Office

the end of the series *Mr Bates vs The Post Office* requesting affected Postmasters and their families to come forward. Unfortunately, this was declined.

176. I have been asked to reflect on whether each of the redress schemes fully compensates individuals across all heads of loss that would be available via other legal routes. With regards to the HSS, my lay person's understanding is that this does cover the heads of claim available to a former or present Postmaster who paid an undue shortfall arising from Horizon data. Not being a lawyer, I don't know whether the schemes individually and collectively match the heads of claims that a Postmaster may be able to bring through the courts. However, I am not aware of any specific heads of claims that are a potential source of redress that are not effectively covered by the HSS, and none have been identified to me.

177. I have been asked to reflect on whether the schemes fairly compensate individuals and specifically whether the schemes put such individuals back in the position they would have been in but for the losses suffered as a result of the Horizon system. With regard to the HSS scheme, my sense is that payments out are essentially fair. However, I realise that individuals may not feel that way, and I do acknowledge that in some cases, had lawyers' fees been paid for early on, that might have led to increased payments.

178. The minimum payment of £75,000 for all HSS applicants was a Government decision and Post Office was excluded discussions in relation to this decision. As a political decision it is difficult to assess whether it is 'fair or appropriate'. There are around 4,300 applications in the HSS with an average settlement offer of £53,000 across cases of all complexities, and £41,000 for undisputed offers.

Some settlements were as low as £100 and some were at a few hundred thousand. For applicants who have a claim value of between £100 and £15,000 to get topped up to £75,000 (of taxpayers' money) would not seem wholly proportionate to me – but only in the sense that that money could perhaps be used in a different more appropriate way. Specifically, I would have proposed that funds be used to establish a fund for families of victims where trauma has been acute.

179. The fixed payment is however an effective tool to get compensation quickly to victims. When the £75,000 goes live we anticipate an increase in applications.

180. My sense has been that the HSS process was working reasonably well, other than in relation to, notably, those made bankrupt. I do acknowledge that there is the issue of applicants not having access to funded legal support prior to application (a decision which I disagreed with). There is also the really difficult problem in addressing contact with those who feel disillusioned or disempowered by their previous experience at the hands of Post Office. The solution to that would have been for Post Office not to have run HSS at all. That said, the fact that over 80% of offers have been accepted on receipt indicated to me that it has been in part working.

181. There were definitely flaws and the HSS was not perfect. It got off to a disappointingly slow start primarily because we were unable to secure confirmation from Government that they would support us with a funding guarantee (see exhibit [POL00448893]). For some with the most complex cases, which include those made bankrupt, this has been an even slower process. Post

Office was, as I committed to in the Settlement with Alan Bates, to provide a process that was 'legal light' and I do believe we failed in that, as the application form was 11 pages long and undoubtedly complex in parts.

182. In my view, the HSS Dispute Resolution Process itself is set out clearly for applicants to understand and to progress through. It allows us to track the applicants who have not accepted their offers through the process and all the way up to an arbitration if so required. As a metric, the ratio of offers made and paid versus the number of claims in dispute is high.

183. I am asked for my reflections on whether the redress schemes ensure parity of compensation for applicants across each of the redress schemes. I address this question (at paragraph 227) in relation to all of the schemes below.

184. I am asked for my reflections on the establishment and utilisation of independent panels within each of the schemes to resolve disputes. In relation to the HSS, the use of an independent panel and experts has been crucial. I consider that establishing and using independent panels to resolve disputes and make initial assessments is necessary in order to build and convey independence into the schemes. I was deeply uncomfortable, and expressed this to DBT, and it remains my position that Post Office should not be conducting redress schemes, making redress payments or be acting as arbitrators.

185. In relation to the HSS, I recall there were updates to GE from HSF regarding the panel constitution, role and responsibilities. I also recall engaging in conversations with Simon about their composition but this was in an informal, conversational way as opposed to being determinative.

186. I made it very clear from the outset of the schemes that building independence into the schemes was a necessity and a requirement to allow for both Postmaster and public reassurance and credibility in the schemes. For example, I can see from my notes that I discussed with Carla Stent on 27 February 2023 the need to revisit the issue of independence in the schemes, which had previously been discussed at Board or in the ARC, but had been met with resistance by the Shareholder Representative. We had referred to this as the “good bank / bad bank” issue [**POL00458396**].

187. I consider Post Office has done a good job of constituting panels with the right level of expertise and the right skills. The HSS Independent Assessment Panel (“IAP”) has retail, tax, accountancy and legal experts sitting on it allowing for a range of skills and experiences to consider the claims put before it, adopting differing perspectives, which contributes to a fair outcome.

188. I was updated in relation to an IAP being incorporated into the HSS but I was not involved in the process to establish it. I was also advised on the structure of the IAP, how the IAP would work and how often it would sit which I discussed with HSF and Simon in an informal manner. I have no relationship with the IAP and do not personally know any members of it.

189. In establishing the IAP, we were trying to distance the Post Office from the HSS decision-making to create confidence in the HSS being independently managed.

190. I have been asked for my reflection on whether the schemes achieve fairness in respect of tax treatment. I have made several general observations regarding tax and the schemes above at paragraphs 167 to 168. With respect to the HSS

specifically, the approach to tax is fair for applicants in my view as Post Office pays a tax top-up sum once an offer has been paid to the applicant to ensure the applicant is not penalised in relation to tax costs.

191. I have been asked to reflect on whether the schemes have achieved fairness for those applicants who had been made bankrupt due to losses suffered as a result of the Horizon system. With regards to the HSS scheme, losses suffered as a result of bankruptcy (including stigma, loss of property, increased cost of credit and losses of opportunity) which was in turn the result of a Horizon shortfall are paid as consequential loss. However, my clear view is that the HSS scheme has not achieved fairness overall for such individuals because of the delays in ensuring payments in the larger and most complex cases. Overall, for those applicants this process has been very slow. My understanding is that this has been an issue for those made bankrupt across all the redress schemes.

192. I have been asked for my reflections on whether Post Office has kept individuals informed about the process of the scheme(s) and how their claim is progressing. With regard to the HSS scheme, I have no direct knowledge in relation to keeping individuals informed about the process of the scheme and how their claim is progressing. As the CEO, a number of individuals have contacted me directly with other issues or complaints they wish to raise but to the best of my recollection, I have not been contacted directly in this regard.

193. I have been asked for my reflections on whether the schemes make fair offers within reasonable timeframes and whether payments are made within reasonable timeframes including Fixed Sum Awards and interim payments. With regards to

the HSS, I do believe that the RU has done a good job and the mechanism implemented for measuring the progress of the redress schemes was appropriate. The numbers presented a positive picture in terms of progressing the redress schemes. There were pinch points on occasion however, these did not derail the process as we were required to unlock certain issues on occasion.

194. Post Office sets very clear targets for each of its two schemes which are measured and reported by Simon to the group executive (now SEG), the RC and the Board and the RC. We kept the relevant numbers under constant review and these were reviewed in detail on a monthly basis. We worked hard to meet the requirements set by Government. For example, Government set a 95% completion target by December 2022 and we hit that number despite the fact these are complicated claims and complicated situations. Reporting progress as measured by the internal metrics and mechanisms was a continuous agenda item at the ministerial meetings throughout the period and it was of particular interest to them.

195. On a weekly basis I would be sent the number of offers that have been sent out, the number of offers accepted and the number of outstanding claims in relation to all schemes. Based on the numbers we were seeing it was a very small numbers of claims that were going to dispute. I appreciate the reasons for that could in part be that Postmasters were not wanting to engage further (which as I say was profoundly problematic given the role we had been given), but on the face of the metrics this appeared to be working.

196. The process could have been smoother. Specifically, it would have been beneficial if Post Office had received guidance and support, as requested, from Government/HMRC on the tax position more expeditiously.

197. HSS interim payments are an essential part of the redress process to ensure money is paid to applicants with immediate effect. Initially, Government was concerned about Post Office making interim payments, but Post Office's position was that the redress would be paid out to applicants in due course in any event and all we are doing is enabling a percentage of it to be paid out sooner to assist the applicants. As far as Post Office is concerned, no detriment could be associated with paying interim payments. I maintain this was a good plan and I am glad we and Government settled on this position.

198. I have been asked whether I consider the eligibility criteria for the HSS to be fair and to allow for all those affected by bugs, errors or defects in the Horizon system to apply. I consider that access to the HSS is fair and the Eligibility Criteria clearly set out what is required to apply. The main criterion is for applicants to write to us and confirm they have paid a shortfall to Post Office as a result of the Horizon system. The bar to be considered eligible for the HSS is in that sense, low and the team assessing the claims are, as far as I am aware, flexible in relation to the evidence they will accept.

199. My (non-expert) view is that due to the evidential bar being so low for the HSS in particular, redress has been provided that would not have been technically possible to obtain from the courts due to lack of evidence. However, Post Office accepts that this is the result of circumstances created by it; namely, there will

more than likely be a lack of evidence, a lack of data and, subsequently, a lack of detail in the applications received. Consequently, Post Office's view is that this low evidential bar to enter the scheme is entirely justified since were Post Office to apply the same evidential rigour as the courts would, they would be, in effect, penalising Postmasters for Post Office's poor record keeping.

200. I am asked for my overall reflections on what has gone well and what could be improved in relation to the assessment of claims through the HSS and asked for my reflections on whether communication and negotiations have been effective between applicants (and their legal representatives) and Post Office. As communication is the main area for development, I have addressed these questions together.

201. There are areas for improvement. Specifically, we did not get the approach to legal costs right at the outset (there had been discussion around this, but Government was adamant on legal costs not being paid until an offer was declined). Post Office recognised that putting a limit on legal costs was not helpful therefore, we now agree to pay all reasonable costs that are incurred from the date an offer is made. This is in addition to costs for other expert reports such as medical reports and accountancy reports.

202. In addition, the issue of taxation took too long to resolve and should have been addressed at the beginning.

203. With regard to communication, the HSS could have been made simpler from the outset. For example, despite the fact eligibility to be accepted into the HSS is low, the application form is quite long and could have been much simpler and more

accessible. It was Post Office's intention from the outset of the HSS that it would be easily accessible to applicants so that legal advice and representation was not required. We wanted to remove the legalities that Postmasters had previously experienced and make this a more accessible, user-friendly process. Unfortunately, it was more complicated than intended and expected.

204. I do understand there is a need for rigour when it comes to funding decisions particularly in light of this being taxpayer's money. However, the pace of obtaining funding decisions by Government on a relatively regular basis over the last three years was disappointing and frustrating and created unnecessary delays in progressing the schemes. We wanted to move at pace and found this a frustration. This is reflected in my email to Lorna Gratton on 1 May 2023 [POL00458427], in which I stated that:

"it is clear that the current operating model being adopted by DBT will not work and that a rethink is required. I hope we can get colleagues at DBT to recognise this. Your help will be critical in doing so" I always refer to David Bickerton's observation that no one will be criticised for paying too much compensation to Postmasters...however everyone will be slaughtered if we continue to 'nickle and dime' on legal fees, admin costs, compensation itself and a convoluted and complex process....see today's article in The Times.

I wont allow this to happen as my job is to protect the brand, ensure timely compensation is paid (and speedy justice delivered) and that trust in the Post Office is not completely eroded through this torrid period.

I hope we can work together on helping DBT break the mould and understand that Managing Public Money is not simply about limiting spend and reducing cost, it is also about the effective and efficient use of funds. I fear they are missing this vital ingredient."

205. I have been asked to consider document [RLIT0000250] which is a Horizon Compensation Advisory Board (“HCAB”) report discussing the proposed HSS Appeals Process. I personally have no issue with an appeals process and Post Office would welcome one. The decision on whether to implement such a process has been stuck with Government for a long time despite the fact Post Office has pushed the Government quite forcibly to confirm an appeals process.

206. The Government should commit to an appeals process without any further delay and, if they do, it will be fully supported by me and the Post Office.

4. The Overturned Conviction Process

207. I am asked to summarise my involvement in the decision making for the OC Process. I have had no involvement in the design or rollout of the OC Process save that mentioned above. I am however involved in the funding issues associated with these schemes. I attended a meeting on 23 January 2024 with the Minister looking at measures to overturn convictions, compensation of the sum of £75,000 and funding issues. At subsequent meetings with the Minister on these issues, I brought with me the Chief Financial Officer and Simon who could go through the detail with the Minister as needed.

208. For the OC Process (as for the HSS process) the responsibility sits with the RC, as a sub-committee of the Board. I see the outputs they bring to the Board. As mentioned, I line managed Simon until January 2024 and I line managed his predecessor.

209. I have been asked to reflect on whether Post Office has done all it could to contact potentially eligible applicants. I do believe that Post Office made significant efforts

to contact potentially eligible applicants. As a first step, after the judgment in *Hamilton & Others*² was handed down, Post Office proactively wrote to the c.700 individuals who may have been convicted due to discrepancies in branch accounts during the relevant period and informed them that they may wish to consider appealing against their convictions in light of the decision of the Court of Appeal. Post Office further enlisted the help of the CCRC to contact individuals who did not respond to that initial contact, and all such individuals were written to separately by the CCRC at least once.

210. In a further effort to ensure that no miscarriage of justice based on the use of Horizon evidence was missed, Post Office instructed its external criminal legal advisers to conduct a pro-active review of each of the c.700 cases which had not yet been through the appeals process. Independent counsel was instructed to review the remaining 558 cases and apply the definition set out by the Court of Appeal in *Hamilton*, to determine whether or not the case could be considered to be a "Horizon case." Of the 558 cases reviewed; counsel categorised 34 cases as "Horizon cases." Following counsel's review, Post Office wrote to 32 of those individuals to inform them that if they appealed against their conviction, Post Office would concede the appeal. The remaining two cases are live appeals. Since these letters were sent, 10 of the individuals have had their convictions overturned, 8 individuals have applied to the CCRC and two cases are before the Southwark Crown Court. The remaining individuals will no doubt be captured by

² *Hamilton & Ors v Post Office Ltd* [2021] EWCA Crim 577 (23 April 2021)
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the recent legislation. As such, I do consider that Post Office has done a good deal to contact potentially eligible applicants.

211. I am not aware of any heads of loss not covered by the OC Process. and am reassured by Lord Dyson's involvement in the OC Process that potential heads of claim have been identified.

212. No amount of redress can ever compensate those who were wrongfully convicted. With that caveat made, my view is that suitable redress has been offered. The decision to offer a full and final settlement of £600,000 was a good development, which led to a number of further individuals coming forward. I did not have any personal involvement in proposing the figure of £600,000.

213. I am asked for my reflections on the establishment and utilisation of independent panels within each of the schemes to resolve disputes. Sir Gary Hickinbottom was appointed as the chair of the independent panel for the OC Process. However, it took an inordinate amount of time to sign him up. This was due to Government processes which took too long. In my opinion, this was an unreasonable delay that should not have occurred. I recall perennial questions regarding his appointment and that getting him signed up was a frustration for both Simon and Carl Cresswell. This was not a Post Office process, therefore, my reflections are limited.

214. With respect to tax and the OC Process specifically, the approach to tax is, as I understand it, fair for applicants as I do not believe payments are subject to Income Tax, National Insurance, Capital Gains Tax or Inheritance Tax. This is not income and should not be taxed as such.

215. On cases involving bankruptcy, I am aware of a number of cases which have been challenging to resolve and bring to a conclusion. My understanding is that for both pecuniary and non-pecuniary losses, principles have been established and resolution achieved, albeit too slowly.

216. As with the HSS, I have no direct knowledge in relation to keeping individuals informed about the OC process and how their claim is progressing. Similar to the HSS, I do not recall receiving emails on this topic nor escalation via another route.

217. I have been asked to summarise my involvement in applications into the OC Process, where Post Office concluded that individuals would not be retried on public interest reasons. Throughout 2022 the Board spent a significant amount of time going through cases that would be in front of the Court of Appeal and to consider Post Office's stance to its earlier prosecutions, including public interest cases. At the hearings before the Southwark Crown Court, prosecuting counsel informed the Judge that their view was that there was sufficient evidence in these cases to provide a realistic prospect of conviction (because the Horizon evidence was corroborated by other evidence). However, owing to the age of the cases and the fact the appellants had already served their sentences, it was considered that it was not in the public interest to have a re-trial. The appeals were therefore conceded on this basis. The Board was subsequently required to consider what, if any, redress these individuals should receive, in circumstances where it was considered that there was sufficient evidence to support their convictions. The Board received case specific advice from leading counsel and considered each case on its individual merits. As I am not a lawyer, I did not feel comfortable making these decisions, but as a Board, we were required to do so, following

detailed discussions with counsel. I did however feel particularly out of my comfort zone because Post Office had not prosecuted for a number of years and as such, I was not familiar with the issues at play.

218. I have been asked to provide my view to exclude individuals from the OC Process who were prosecuted, but were acquitted by a Jury, on the direction of a Judge, or by withdrawal of the proceedings. My understanding is that Postmasters who were prosecuted but not convicted were eligible to apply under the HSS however, where the individual was not a Postmaster but an employee (e.g. a branch manager or branch assistant) they were not eligible for the HSS. Consequently, Post Office was aware that these individuals (who were not Postmasters and had been prosecuted but not convicted) required a scheme in order to apply for redress.

219. Such individuals were included in the funding provided by DBT on 21 December 2021, as it was recognised that liability does not end because the employee was not convicted. I understand that Post Office and DBT agreed that in order for a non-convicted employee to be eligible for the OC Process, counsel must be satisfied that the case in question is a "Horizon case", applying the test set down by the Court of Appeal in *Hamilton and Others*. I therefore believe that the individuals within this cohort are either covered by the HSS scheme if a Postmaster or they are eligible for the OC process if an employee. Accordingly, my view is that the consequent loss arising from being charged or prosecuted but not convicted is covered.

220. I have been asked to share my reflections on whether applicants have been supported and encouraged to obtain legal advice under the OC Process, including whether adequate legal funding has been made available. I do not feel I have enough knowledge in relation to whether or not applicants have been supported and encouraged to obtain legal advice under the OC Process but I am not aware of having received any complaints in this regard.

221. I have been asked to summarise my involvement in the appointment of Lord Dyson to complete an Early Neutral Evaluation (“ENE”) and to set out my reflections as to the effect that the ENE has had on the operation of the OC Process. On or around 18 July 2022, an ENE was conducted by Lord Dyson and produced on 29 July 2022. My sense is having Lord Dyson conduct the ENE provided great credibility and confidence to the process. The ENE provided an alternative set of criteria from which the OC Process could operate and I recall everyone was pleased about Lord Dyson’s input, especially DBT. I had no involvement in the appointment of Lord Dyson and do not have the requisite knowledge of this.

222. The ENE was incredibly helpful in moving the OC Process forward, clarifying the various different heads of loss, providing monetary ranges for the heads of loss and generally allowing all involved to feel comfortable that this was a credible way to operate the OC Process. In my view, it was a very positive process.

5. Group Litigation Order Scheme

223. I have been asked a series of questions regarding the Group Litigation Order (“GLO”) Scheme. These have requested that I summarise my involvement in the

scheme, my reflections on its efficiency, my involvement in its implementation (including the offer of £75,000 as full and final settlement), my reflections on access to legal advice, my reflections on disclosure and my involvement in setting bands of compensation and whether such bands are fair.

224. My response to these questions are limited as the GLO Scheme is run entirely by Government. Post Office has no involvement in the GLO Scheme other than in relation to providing disclosure of requested documentation. I believe that this is the redress scheme many people would have wanted from the outset given it is removed from Post Office and run by Government.

225. I am keenly aware that the disclosure process for the GLO Scheme has been problematic and slower than we would have wanted (particularly at the start). This was mostly as a result of hundreds of people requesting disclosure of documents at the same time which was always going to be challenging. Post Office was required to reallocate the number of individuals to support the internal disclosure process which took longer than we hoped, and we would have preferred for this to be quicker. Simon Recaldin in his statement [WITN09890500] addresses some of the disclosure difficulties we encountered.

226. I have been asked to reflect on whether or not GLO applicants have been supported and encouraged to obtain legal advice I do not know the answer to this given it is a Government-led scheme. However, I sincerely hope this has been the case and that adequate legal funding has been made available to applicants.

6. Parity across the schemes

227. I have been asked for my reflections on whether all three schemes offer parity of compensation.

228. My overall impression is that the Post Office led schemes have collectively reached a point where the majority of those eligible receives suitable redress albeit following unacceptable delays in too many cases. I am aware that the Government has sought to ensure parity of tax outcomes. Ideally, there should have been a single scheme separate from Post Office that was open to all Postmasters, former Postmasters and their families who have been affected by this scandal.

PART D – Other Matters

Project Phoenix/Past Roles

229. I would like to give reflections on what I think is a hugely important matter, not fully addressed in other witness statements. This is Post Office's review of its own staff and consideration of actions to be taken with individuals who remain in roles associated with the period of prosecutions. There are two relevant programmes of work – Project Phoenix and Past Roles. This issue has been on the one hand, ensuring that where allegations or evidence of wrongdoing or misconduct are raised individuals are appropriately held to account. Where appropriate this might include investigation, suspension, dismissal or being moved away from Postmaster facing roles in order to rebuild the confidence of Postmasters and the public. On the other hand, it is essential to ensure the rights of those individuals are honoured and colleagues are dealt with fairly and appropriately. Post Office

must no longer behave in the ways in which it did and that would include both ignoring the feelings of Postmasters and the public on this, but also by ignoring or disrespecting the rights of existing staff. This has been an incredibly difficult balance to strike.

230. The background to both Project Phoenix and Past Roles is that in 2022 I raised the issue with Simon Recaldin stating that it was a concern to me and potentially very problematic that there may still be colleagues in post who either needed to be investigated themselves or be moved into different roles to ensure confidence is maintained amongst both victims of the scandal and serving Postmasters. Some colleagues may have been aware of wrongdoing, or indeed without there being immediate proof of it, have contributed to the wrongdoing. I initiated a piece of work in the organisation to try to get a grip on what the scale of this challenge was and the number of colleagues still working in Post Office and to whom this might apply. We would then need to determine what action to take.

231. The progress was slow and painstaking and to be fair, this was not an easy task. We needed to be clear who was doing what roles and when in the past. We had incomplete HR records which, given this was a desk top exercise to review 700 colleagues with over 10 years history in the organisation was a significant challenge. We needed to be clear whether, not only should they be being investigated themselves but also whether even if no evidence of wrongdoing, there were colleagues now involved in activities, like disclosure or administering the compensation schemes, where it would be more sensitive for them to moved–

anything where it would be better that there was no Postmaster interface. I did not want anything to cut across rebuilding confidence.

232. This work was picked up by Jane Davies on her appointment in late 2022. Frustratingly, before and after her appointment, this did not move forward in the way I would have liked and I came back to this to say that progress was too slow, offer further resources and to try to instil a sense of how critically important this was to rebuilding trust. I remember saying that this must not be a witch hunt, but at the same time, the organisation must not look past allegations or situations that could jeopardise Postmaster confidence.

233. In terms of Project Phoenix, my own view, one which I believe I share with others, is that for individuals who were actually close to the investigations unit prior to 2015 it is hard to conceive that they were unaware of wrongdoing at that time. I am aware that there were approximately 40 cases that were looked into further following evidence which emerged at the Restorative Justice meetings, the Human Impact hearings, and from evidence before the Inquiry. These are case studies not numbers of individuals (i.e.: the same individual could have been involved in a number of cases). As far as I am aware there are now only a handful of individuals who worked in the investigations unit which was disbanded in 2015 who are still employed by Post Office – they do remain in the organisation, but in different roles. John Bartlett has provided further information on the reformed A&CI unit in his statements to the Inquiry. I am confident therefore that no one from that era remains in the investigations or audit sections of the business.

234. I recognise, understand and on a personal level, share the frustration that Post Office has not been able to move much quicker and go further in respect of Project Phoenix and on Past Roles. As I say, I would have preferred Post Office to take more decisive action and said as much at Board discussions. That is not where the organisation is however and the collective decision was made at Board not simply to dismiss anyone who was for instance an investigator at the time, but against whom there was no direct evidence of wrongdoing, rather to transfer them to other departments, offer voluntary redundancy where possible, but, where appropriate to thoroughly to investigate. The Board was and is collectively concerned about a myriad of other considerations including, importantly I should say, Post Office not acting in a disrespectful way that might resonate with behaviours of the past.

235. Post Office understands that unless wrong doing can be formally and fairly established, it cannot simply remove existing staff because they were in post when the miscarriages of justice were taking place. Those individuals of course have employment and indeed human rights themselves. This however is a deeply difficult area and one which I am aware the Postmaster NEDs feel very strongly about (see their email of 26 April 2024, and mine of the same date [POL00448298]. This is relevant also to the section below arising from the section immediately below.

Times article dated 19 February 2024 [RLIT0000201]

236. I have been asked a series of questions about *The Times* article dated 19 February 2024. The relevant background to this article is that both of the

Postmaster NEDs had expressed concerns to the then Chair Henry Staunton about aspects of Post Office's culture and in particular around its attitude to Postmasters. I want to say at this stage, that I am not impervious to some of their concerns, as explained below, but with respect, given the hugely valuable role they play, I do not completely agree with their assessment of Post Office culture today.

237. There is relevant background to the events, leading up to them speaking to Henry. Elliot Jacobs has been investigated in relation to outstanding liabilities to the Post Office and was very unhappy with the conduct of those investigations. In brief, the investigation had been commissioned on account of non-payment and in one case not responding to chasing with regards to the liabilities. Both Postmaster NEDs had outstanding liabilities and it was unclear if they had been declared prior to their appointment to the Board. This investigation into Elliot was referred to as Project Venus [**POL00448886; POL00448896; POL00448883**].

238. I was told about this in April 2023 by Tracy Marshall, Postmaster Engagement Director, and the matter concerning Elliot was progressed to an investigation, coordinated by the Chair during the course of 2023, in order to establish the extent of the liabilities and whether the sums were being repaid. That course of action was a necessity, given the outstanding sums, and the need to ensure that Elliot was not treated differently to other Postmasters and indeed Board members, given the criteria for appointment which included disclosure of any financial relationship with Post Office. Elliot was very unhappy with the way the investigation progressed, which linked with his and Saf Ismail's wider concerns about the historical investigations unit.

239. Saf and Elliot spoke with Henry Staunton on Sunday 14 January 2024 about their concerns, and during that conversation they made various criticisms of the culture of the organisation, and made direct criticisms of Ben Foat, General Counsel, and Martin Roberts, Retail Director, by name. Henry drafted a note to himself of the points they had raised with him, the contents of which he had confirmed by email by both Postmaster NEDs, and he began referring to this as 'Project Pineapple', although this was a term he simply started using without notifying me or others what it referred to [POL00448302].

240. The following day, 15 January 2024, the Voice of the Postmaster (VoP) group issued a press release that called for a 'complete overhaul' of Post Office, which also made reference to cultural issues, but went much further by calling for me to be removed as CEO, which was something that Saf and Elliot had said they did not support. Elliot had drawn attention to this in his email back to Henry confirming the note he had taken of their conversation.

241. Henry sent me a one-line email on Wednesday 17 January 2024 asking me to "*organise a response after our Board tomorrow*", and that "*at least one NED has said I should meet them [referring to VoP] but I think that would be a mistake. We do need to say something to them in our reply however*". The content of Henry's email to me therefore referred only to the VoP press release, which was attached to the email along with a letter to the Chair [POL00448544].

242. I regret that I did not read all of the attachments at the time that I read Henry's email, nor did I read through the whole chain of emails below Henry's email. My only excuse is the high number of emails I receive every day, such that I am

reliant on being signposted in the subject title, or classification, when something is sensitive or urgent.

243. The third attachment to Henry's email was the Project Pineapple note referred to above, which as I say, I had not read. I had no idea what the subject line was referring to. It was not marked as private or confidential and so I was not thinking it needed any more careful handling than any matter raised by VoP – which whilst always something we would take seriously and respond to, did not on the face of it this time call for any particularly different treatment. I forwarded Henry's email onto colleagues to assist in formulating Post Office's response, to be considered by the Board. On this occasion, those colleagues included Martin Roberts and Ben Foat. I therefore inadvertently forwarded onto those two individuals Henry's note of his conversation with Saf and Elliot, which included very critical comments about them [**POL00448544**].

244. I was alerted by Henry to the chain reaction his misdirected email had triggered and what I had inadvertently done later that day, and was immediately apologetic, which was conveyed back to both Saf and Elliot. That evening at 10pm, Saf sent me a long email pressing the matter further, stating that I had put him in a compromising position and asking for an investigation to establish whether it had resulted from negligence or lack of judgement on my part [**POL00448884**]. I took Saf's concerns seriously, and felt that the best way forward was to speak to them both directly. I responded with a reply email immediately upon reading it before 8am the following day. I apologised, and suggested we spoke, along with Elliot. Saf came back to say he was unable to speak that day. I did then speak with Elliot either that day or the following day, and explained how the error had occurred.

Saf and I did not catch up on this later. Sharing the email in this way was a genuine mistake on my part for which I did pass on my apologies as I appreciated my action had caused upset. I am frustrated however that Henry has solely attributed blame to me for this rather than acknowledging his own breach of confidentiality, lack of attention to use of email and failure to signpost its content appropriately.

245. I recognised that there were two issues for Saf and Elliot: the Project Venus investigation which directly affected Elliot and the wider concerns that they had around investigations and culture and the role in this of the two senior members of staff criticised. They referred in the email chain to Project Phoenix, which I have discussed above.

246. In relation to the quoted comments in the article that the Postmaster NEDs were ignored and seen as annoyance by other members of the POL Board, I don't agree that was or is the case at all. I drove the change to get Postmasters onto the Board, and my view is they have been an excellent addition. I came from Nisa, where there were member NEDs sitting on the Board, so I knew what we would be getting with this reform, which is valuable day-to-day operational experience of Postmasters. I knew they would be critical and would challenge the Board, which is why I wanted them there. It was part of the reform of the organisation – I wanted Postmasters to be at the centre, to be visible and to have influence. Immediately prior to my arrival in 2019, Post Office had, in its drive for commercial sustainability, lost track of that partnership and relationship with Postmasters, and I was determined to address that shortcoming.

247. What Saf and Elliot may have been getting at with this comment is that where the Board are used to taking an overarching and strategic view of matters, they have often brought a reality check about what is going on, on the ground, operationally in the network. So they can sometimes take Board meetings in a more operational direction, whereas the other NEDs were used to, and possibly preferred the shorter experience of SEG alone reporting back in relation to those issues. That slight tension in focus is inevitable, by having NEDs with the amount of invaluable operational experience and expertise that Saf and Elliot bring. However, I do not believe that this amounts to them being seen as an annoyance.

248. I am aware also that they have asked for more progress to be made on Project Phoenix and Past Roles and they may have been feeling unheard or that their concerns were being ignored. As noted, I share their frustrations on this.

249. There is a reference in Elliot's email to a continuing and embedded belief within Post Office that Postmasters are "*guilty*" and "*on the take*". Although that may have been a valid criticism of Post Office in years gone by, the changes that I and many others have made to the culture of the organisation, addressed elsewhere in this statement and my other statements to the Inquiry, mean that I genuinely do not believe it is any longer an accurate description. Whilst there will likely be, what I hope are only small pockets of unacceptable attitudes, many initiatives have been put in place, described elsewhere here and in other statements, that actively seek to challenge and root this out. I regret to say that the personal experiences of Elliot's investigations, may at that point, and perhaps now, have tainted how they see the organisation. I repeat that they are both extremely valuable members of the Board, and our current intention is to ensure they remain

on the Board until June 2025 to maintain continuity and then to re-elect two new Postmaster NED's. We believe as an organisation that this has been a successful initiative

250. Finally, on this there is also a reference in the Times article to a line in Elliot's follow-up email that I had referred to various personnel at Post Office as being "*untouchable*". The article refers to this phrase having been used in respect of Post Office investigators, however in the email itself the reference is to Post Office General Counsel (Ben Foat), Retail Director (Martin Roberts), and Head of A&CI (John Bartlett). There is therefore some confusion as to whom reference as untouchable has been made. For my part, I do not recall ever using the phrase, and would not condone its use or any pervading impression at Post Office that anyone is untouchable. I have referred above to the positive steps made in relation to whistleblowing at Post Office, and an important principle underpinning that process is that everyone at the organisation is accountable for the standards of their behaviour, with no exceptions. My last comment on this is that there is some reference in this article to 40 individuals – I wonder whether part of this confusion is as to the 40 cases I mention above in paragraph 233.

BBC article dated 17 April 2024 and Sky News article dated 23 April 2024

251. I have been asked to comment on a BBC article dated 17 April 2024 and Sky News article dated 23 April 2024 concerning the dismissal of and allegations made against me by Jane Davies. The Inquiry's attention is drawn to the most relevant document I have access to on this, the report by Marianne Tutin of Devereux Chambers ("the Tutin report") [**POL00448641**]. The Tutin report which

is an independent report makes findings on the allegations. I have set out below some of the background facts and would draw the Inquiry's attention at the outset that the Tutin report exonerated me of any wrong doing. I would also point out that the fact that the organisation did so in relation to its highest executive and indeed Chair, does show a culture in which whistleblowing is taken seriously.

252. Jane joined Post Office on 1 December 2022, having been originally identified as a potential candidate by MBS recruitment to fill the upcoming vacancy at CPO. Her predecessor, Angela Williams, had been interim-CPO during the maternity leave of the previous permanent CPO (who ultimately took up a similar role at John Lewis Partnership during her maternity leave and hence never returned). Angela had then accepted a role in a private equity backed multi-national business. There was an overlap of approximately a month between Jane starting and Angela leaving Post Office, during which time it was intended that Angela would deliver a comprehensive handover, giving Jane a full run-up at her new role.

253. My impression was that Jane had a relatively combative initial period with colleagues she was working closely with, including in the Group Executive. From my own perspective, I got on well with her, but I am aware that, for example, she fell out with Richard Taylor, who was the Corporate Affairs Director, within the first few weeks of her joining. More fundamentally with regards to her introduction to the business, there was a breakdown in the relationship between her and Angela, to the extent that Angela made the decision to end her physical presence in the office earlier than intended, and worked the remainder of the handover period remotely. That this had happened so quickly did surprise me, but the

decision for Angela to leave the office was made with my agreement, and seemed the best way to cool that relationship. It appeared to me that Jane's style was clearly combative with some colleagues, and that she was not necessarily open to engaging with a full handover.

254. When Jane came in as CPO, she took over all matters relating to Post Office remuneration including engaging with the shareholder on CEO and CFO reward decisions. These require Secretary of State sign off. This included specific interactions with the Shareholder following an external benchmarking exercise into CEO pay and incentives. I could sense that she wanted to be seen as succeeding where Angela had failed in this regard, and she did grasp the nettle by writing on multiple occasions to DBT. I could understand why she wanted to take this further forward than Angela had been able to, but ultimately DBT made it clear that there would be no movement on this issue. In around early February 2023, I was notified by the General Counsel that there had been three 'Speak Up' complaints made about Jane within the first two months of her employment from members of the People Leadership Team. Closely thereafter, I was approached personally by two further colleagues working under Jane who told me that they were unhappy with her behaviour, and that they would have put in a grievance but they feared repercussions and were worried that their names would be revealed in the process. They raised concerns relating to Jane's manner and style as CPO. Our Employee Relations and Policy Director then went on long-term sick leave, which I understood was related to interactions with Jane and how she had behaved towards him.

255. In total, therefore, six complaints were received in relation to Jane within the first few months, which was an extraordinary situation, particularly for a senior leader in the organisation brought in to continue to deliver the cultural renewal that we were driving. In the circumstances, and particularly given Jane's position as CPO, our General Counsel and I agreed that it would not be appropriate to respond to speak up complaints with an internal investigation, but that this should be carried out externally. Ben Tidswell as SID agreed, and advised instructing Heminsley Law to investigate, and give some assurance as to what was going on. Ben became responsible for their instruction.

256. The Heminsley investigation report [**POL00458392**] concluded that there may be a case to answer in respect of whether Jane's behaviour, on particular occasions, amounted to bullying within the meaning of Post Office's Dignity at Work policy, and her approach and conduct contributed to a working environment in the People Leadership Team that led to colleagues resigning and/or taking sick leave. Whilst these were case to answer conclusions, not full findings, nevertheless, it was inconceivable to me that, after this number of complaints and facing full and lengthy investigations into her conduct, she could lead the kind of cultural change programme that was required. The organisation was under significant public scrutiny, in view of what had come before and we needed to try to move at speed to take appropriate action. Whilst it would be damaging to lose another CPO after only a few months, that had to be balanced against the absolute necessity – indeed the overwhelming need - of having the continuity of a person in place and one who could definitely be relied upon to take the organisation through the

cultural change required. In my view, the risk was too great to keep Jane on and her position had become untenable.

257. I considered the context of the findings against Jane, and wrote to NomCo towards the end of June to inform them that I was unable to confirm her suitability for continued employment at Post Office at the end of her seven month probation period (extended by a month to allow for the Heminsley Report findings to be considered), and asking them to approve the decision to terminate her employment on 30 June 2023. The decision was taken by NomCo, on my recommendation. To clarify she was not kept on at the end of her probation – which was a different position to her having been made permanent and then dismissed.

258. Jane had been on stress-related leave from earlier in the year, from around March 2023. Even before then, from around the time the investigation began, Jane's engagement with her role dropped off significantly. It was understandable that she wanted and required time to engage with the investigation, but I did not feel that I had any management support from her from that point onwards. She had effectively checked out of the business from early in 2023.

259. As noted, it is not strictly correct to say that Jane was dismissed. The investigation report was received during her probation period, and her employment was terminated upon the expiry of that term, rather than her being confirmed in post.

260. A further significant event in this period was 21st April 2023, when Jane was due to launch the next stage of the cultural change programme at the 2023 Colleague Conference. She had been mostly absent from the organisation for the two

preceding weeks ahead of the conference, and I felt had not prepared to anywhere near the required level, leading me to have to put in place a contingency plan for someone to address the conference if she was not there. In the event, she did attend the conference, and I agreed for her to go ahead and present the piece, although I felt she was underprepared. It landed poorly as her grasp of the material was weak. This was a huge disappointment given the importance of this conference in launching critical initiatives in the culture change programme, and this was one of the final activities Jane was involved in in the organisation.

261. I am asked for my reflections on Jane's quoted comment that the cultural change that needed to start with the senior leaders was simply not high on my agenda. That is just not the case and I believe does not align with the actions I have championed, nor the purpose for which Jane herself was recruited, which was to lead that very cultural change. In my view, the strategy for cultural change I prepared upon taking up the role of CEO, and subsequently what I have implemented in relation to making Post Office Postmaster centric, and what we are trying to do around the People Strategy, all contradict her comment. The language that I have used, the changes we have made to the senior leadership team and the Group Executive, the cultural intervention to bring Postmasters onto the Board, and into the centre of the business, are all explained in more detail in my corporate witness statement. I think we have made some significant changes in relation to cultural change, which has started with the senior leadership. I would invite the Inquiry to view Jane's criticisms in the context of her departure from Post Office.

262. Jane has, since leaving Post Office, initiated a claim against the organisation in the Employment Tribunal, in which I am named personally as a Defendant along with Post Office. I cannot properly go into detail regarding the matters raised in those proceedings, which are ongoing, but the views Jane expresses in the two news articles are consistent with the various claims she has made since leaving the organisation, which also include a 'Speak Up' complaint against me and others at Post Office. This was made in September 2023, just over two months after her employment was terminated, by which time we had confirmed to her that we were not going to make an additional payment to her above her contractual notice payment. That decision was driven by DBT, despite in my view it being a more sensible approach to settle with her at that stage and move on.

263. Jane's allegations were against me as well as others at Post Office, including Henry Staunton (I am aware that it has been said that Henry was not part of this, but this can be verified in the Tutin report). The allegations were fully investigated by barrister, Marianne Tutin, who produced her final report in April 2024 [POL00448641]. As was reported in the BBC article referred to by the Inquiry, the findings did not uphold any of the central allegations against my conduct. However, the allegation made by Jane that Henry Staunton had made discriminatory remarks during a recruitment process was upheld. By the time the report was delivered, Henry Staunton had already been removed as Chair of the Board (a period which I address immediately below this section). The report also made negative findings in respect of how Jane Davies and Henry Staunton engaged with the investigation, noting in paragraph 8 of the report summary: "*The behaviour demonstrated by Mr Staunton during this investigation, and to an*

extent by Ms Davies, has given me cause for concern about the reliability and integrity of their evidence, particularly the revised account they provided to me following Mr Staunton's removal as Chair."

264. A further feature of the findings in the report were that the allegations made by Jane against me were not raised by her, or even noted down by her in any contemporary documents, during her employment at Post Office. That led me to the view that her allegations were made subsequent to her leaving Post Office and were in light of that.

Henry Staunton

265. I have been asked to set out my understanding of the circumstances which led to the dismissal of Henry Staunton as Chair of Post Office by the Secretary of State on 27 January 2024.

266. My recollection is that there were three episodes in late 2023 and early 2024 which likely contributed to the decision by the Secretary of State to dismiss Henry as Chair. The first was his involvement with the investigation of Marianne Tutin, which I have referred to above. Once Henry became aware that an allegation against him for inappropriate conduct had been included in the investigation's terms of reference, and he had been invited to interview, there was a discernible desire on his part to make the investigation go away. It was clear, and he has made his position clear publicly since his dismissal, that he believed the allegations against him were spurious. My understanding is that he spoke at length with various members of the Board in an effort to cease the investigation's progress. By that stage, his interventions could not be seen as independent, but

were seen as interference for his own personal gain. Those events are recorded in the final report [POL00448641] at paragraphs 268 and 269.

267. The second instance was that Henry took steps to prevent his year-end personal appraisal from taking place in around December 2023, by instructing the Company Secretary not to issue the relevant form. The appraisal would have been carried out by the SID and the Shareholder Representative, however they would be reliant on the company secretary to issue the appraisal to them. I assume that, in light of the events taking place at that time including the allegations that had been made against him, and complex issues that the Board were dealing around going concern and with the Postmaster NEDs, Henry did not want to be personally assessed or appraised at that time, as the results were unlikely to have been positive. That would properly have been a decision for the full Board to take, but in the event Henry's actions circumvented that procedure and frustrated any process of evaluation from taking place.

268. The third instance related to the appointment of a new SID in January 2024, to replace the departing Ben Tidswell. The original proposal, driven by the Shareholder Representative and which had my support, was to recruit externally for a new SID. A recruitment agency were therefore instructed, and made some progress with identifying appropriate candidates with sectoral experience and appropriate skills to fulfil the role. Throughout the process Henry had made clear that he preferred to proceed with an internal appointment, with an existing NED on the Board stepping up to replace Ben as SID. In late September, he took steps outside of what would have been proper governance procedures at a Board meeting, and without consultation with the Shareholder Representative, to

encourage the Board to focus on an internal appointee. He then reported to the Board informally via email that following a decision to appoint an internal candidate, the vote had been to appoint Andrew Darfoor as SID. Ben Tidswell raised immediate concern with what had happened, noting that the decision required a proper discussion at Board and the agreement of the Shareholder and Shareholder Representative, which had not occurred [POL00448887].

269. I understand that the three events described above underscored the decision that Henry's appointment was to be terminated. There was in addition however, a wider set of issues relating to Henry's behaviour and capacity as Chair that also, I believe, ultimately led to DBT taking the position that change was needed. Lorna Gratton, Amanda Burton, and Karen McEwan had all experienced issues with Henry Staunton's behaviour to some extent. I myself witnessed Henry Staunton be quite dismissive and rude to Lorna at a Board meeting in November 2023, which was uncomfortable and awkward. Lorna and I did not discuss this, but I remember the event clearly. I also got the impression that Amanda Burton had felt a bit bullied and intimidated by him. Karen McEwan spoke to me directly about his behaviour which she thought was appalling. She said that he did not treat women well and had reduced his personal assistant to tears, which she said she had raised separately with Ben Tidswell. My understanding is that Lorna Gratton also fed back to DBT about Henry's behaviour, and also the extent to which he had a proper grip on the Board at that point.

270. I recall that Ben Tidswell spoke to me and explained that there had been issues raised about Henry's behaviour which had been fed back to DBT, and that DBT were considering what to do. I explained that from my perspective I had witnessed

the incident with Lorna at the Board meeting and that I had also witnessed unprofessional behaviour, such as falling asleep in Board and Shareholder meetings (which the Shareholder was aware of). The perception, shared by me and others, was that Henry was fatigued, and was not close enough to the issues on redress and the evidence emerging from the Inquiry. He would frequently report surprise at the amount of time he had to dedicate to the role, and the impression given was that he had signed up for a different job to the one he found himself in. I had expressed my concerns about Henry's competency with Carl Creswell. I cannot recall the precise chronology, but do recall being called by Ben Tidswell again to tell me that the Secretary of State and Permanent Secretary were working on the issue and that something would happen. I thanked him for telling me what he could.

271. Henry was then contacted by a reporter from Sky News on the morning of Saturday 27 January 2024, who had been told by a SpAd connected to Kemi Badenoch, that he would be sacked that afternoon. This was followed by a call from Kemi Badenoch during which she fired him. I understand that they had never met. I texted Henry the following weekend to say that I was horrified by the manner in which he had been fired, as I did not feel it had been sensitively handled [POL00448899]. He responded to say that he would go quietly unless his reputation was further damaged [POL00448900]. After this, Kemi Badenoch publicly accused him of bullying behaviour. I understand that those allegations had not been put to him, and he had therefore not had a chance to respond. After that, Henry spoke to the media.

272. Whilst I do think that ultimately it was the right decision for Henry to leave the business, I thought the manner of his departure was poorly handled and unnecessarily humiliating – he had no advance notice and no chance to make submissions in advance. The manner of his public departure was very damaging for Post Office and generated a further increase in intense public scrutiny which has eroded the confidence of senior leadership in the organisation. The shift in focus to firefighting the various allegations around leadership behaviour has undermined what is going on at Post Office, and caused uncertainty for Postmasters in terms of the future of the Post Office brand and the future of the organisation. The steady state of the business has been dramatically impacted by this episode, and it has contributed to a sense that Post Office is dysfunctional at a senior level and not making progress.

273. I recall all this with some regret, as overall I had a relatively positive CEO-Chair relationship with Henry, and he was always supportive of me in the work I have been doing. We would communicate frequently, collegiately, and occasionally share text messages, including before I appeared before the Select Committee in January 2024 [**POL00448901**]. In his role as Chair, Henry also carried out my appraisal in 2022/23 where he assessed my performance as exceptional [**POL00448898**] as had been the case in previous year 2021/22. I therefore never had the perception that Henry was anything other than happy with my performance as CEO. I regret Henry's appointment ended in the way it did, albeit as I said above, ultimately, I believe it was the right overall outcome.

274. Whilst it has been imperative that the truth came out with regard to the historic wrongs, the level of injustice, cultural and compensation issues, it cannot be

denied that constant media scrutiny has had a tendency to distil a culture of risk aversion at Post Office, where people are fearful of making decisions which are then pushed further up the chain. Equally there are inevitably more instances of colleagues suffering from stress-related leave, causing an increase in days lost to the organisation. The brand is damaged and it has been difficult to recruit. All this has been mentioned elsewhere in my statements and those of other members of the Post Office. I refer to this here as the media reporting of the incidences around both Henry Staunton and indeed Jane Davis, have not helped reflect what I truly believe have been improvements in Post Office culture towards being Postmaster centric and ensuring that the wrongs of the past could not happen again. Sadly like many large complex organisations there are often disputes and performance issues both at Board level and senior executives. It is my hope that these do not divert attention away from the remaining imperatives for change that relate to the historic wrongs and also the very real changes that have been made at Post Office.

Alisdair Cameron

275. I have been asked to set out my understanding of the circumstances which led to the resignation of Alisdair ('Al') Cameron on 25 June 2024. It is important to note that Al Cameron did not resign, he left Post Office on ill-health retirement. Al had been off with work-related ill health for 13 months at that point. As that is Al's personal medical information, I will leave that to Al to comment further on that should he wish to.

276. Broadly, I would say that my relationship with AI was professional although sometimes difficult. AI was interim CEO before my appointment, and he was disappointed not to be given the permanent job. I became aware directly from AI that in March 2020 he was very close to leaving Post Office to join another organisation and would have left but for the start of the pandemic. So he was not settled back in the CFO role after I became CEO. I also felt that he presented somewhat of a barrier to the cultural change I wanted to achieve at Post Office. An example of this would be my State of the Nation address to Post Office in April 2020 [POL00458399], in relation to which he advised me to tone down the sections on the cultural changes that were required at Post Office. He also had a difficult relationship with parts of the Board, and in particular female Board members who did not appreciate his perceived aggressive style, and felt he was not open to challenge. I discussed these issues with the Chair in around March 2020 and expressed to him that I felt AI was hindering the cultural changes we were implementing, and that I wanted to move him on. Discussions took place with DBT regarding a proposal for AI to leave, and in the following year I was given the opportunity to make an offer to AI to leave the organisation which was above his contractual terms. However, having initiated a conversation with AI, this offer was later withdrawn by DBT, which was deeply frustrating for all concerned. AI subsequently went on sick leave, and the settlement for him to take ill-health retirement was finalised in June 2024.

Project May

277. I am asked to explain how I first came to be aware of the existence of the document [POL00118104] titled 'Identification Codes'. This relates to Project May

which was set up to consider a number of issues arising from the discovery of a set of identification codes that had been used by staff in the security team engaged in prosecutions. These identification codes described a person's racial origins. These identification codes had been associated with prosecutions by the Security Team between 2008 and 2011. Our subsequent internal investigation confirmed that these identification codes had not been used in prosecutions since 2013. The identification codes themselves appear to have been archived when they were accessed in 2016.

278. The content of these identification codes came to light as a result of one of a series of Freedom of Investigation requests made in April 2023 in which eight documents that had been used by the security team were released. I first became aware of the existence of the content of these identification codes as a result of that FOI request. I was not aware they had existed prior to this date.

279. Reaction to FOI request: The realisation that these identification codes may have been used in past prosecutions was hugely concerning. The identification codes described a person's racial origins in language that was offensive, outdated and reprehensible. The identification codes contained terminology that was so abhorrent that we issued a press statement on 27 May 2023 to coincide with the release of the information under the FOI request.

280. Commission of Project May: Group General Counsel prepared a proposal to conduct an investigation into the use of these identification codes. The proposal was for a Phase One fact finding investigation to understand how these identification codes had been used, and a Phase Two investigation to consider

what practical action was needed. I signed off the proposal for the investigation.

The investigation began on 30 May 2023, co-ordinated by Group General Counsel Ben Foat and conducted by Director of Assurance and Complex Investigations John Bartlett, with reports made to myself and the Group Board.

281. Phase One Project May: Phase One focused on understanding the context and usage of these codes. John Bartlett, Director of Assurance and Complex Investigations led the investigation, aiming to uncover when, where, and by whom the codes were used. An external barrister from Outer Temple Chambers was engaged to support John Bartlett. The work concluded in February 2024 with the production of the Phase One report which set out that the documents had not been used since 2013 but had been accessed or emailed in 2016 by which time they were regarded as historic, and again in May 2019 as part of an archive search. I understand that the source of these identification codes came from other public sector bodies in the collection of demographic data.

282. Considerations prior to Phase Two Project May: While Phase One dealt with past practices, the Group Executive and myself considered what we could take forward in relation to Phase Two. We made a number of decisions to address the broader implications and future direction arising from the findings in Phase One.

283. Application to historic prosecutions: A proposal to review past prosecutions pre 2015 for potential bias was considered by the Executive Board and myself. We considered whether to review the implications for the way that prosecutions had been conducted in the light of the findings of Phase One. There was concern that there may have been bias on the part of security team investigators. The

Remediation Scheme Committee considered this and concluded that as there was evidence that very thorough reviews of every single one of the past prosecutions had already been conducted by multiple parties, with mass exoneration underway, it was unclear what further value would be added if we applied the findings of Phase One to retrospective prosecutions. We were also concerned with the implications of such offensive racism outside the Security Team across the whole organisation. As a result, we considered that the greater value would come from concentrating on improving current practices so that nothing like this can happen again.

284. Ethical Concerns: There were significant ethical concerns about the presence of offensive language and its potential impact on investigations and prosecutions. Myself and the Group Executive recognised a need to ensure that current practices aligned with ethical standards. Consequently, ETICA Global, a specialist firm in ethical assessments, which had assisted in Phase One were brought in. We were mindful that the current investigation team dealing with Freedom of Information requests, while not the same as the previous team of investigators, may have been at risk of applying bias or unconscious bias and at risk of “marking their own homework” even though we were looking at a document that had last been used some 14 years ago. ETICA Global carried out a review and made several recommendations, all of which we accepted and implemented. ETICA Global provided bias and unconscious bias training to the security team, aiming to prevent any similar occurrences in the future. Following the recommendations made by ETICA Global, the organisation ceased the collection of identification codes and committed to aligning its practices with contemporary

standards observed in more progressive organisations. We also agreed to adopt ETICA Global's recommendation of specific training and guidelines for conducting unbiased investigations and interviews, emphasizing the need for psychologically sound practices in these areas.

285. Continuous Training and Awareness: Online training sessions on a range of topics are already mandatory for all employees on a quarterly basis. We have considered a topic on Project May but have recognised that Phase One covered collection of data in a specific team for a particular purpose, so we are working through how to deal with the necessity of raising awareness across the whole organisation. Overall, the training aims to reinforce the importance of ethical practices and ensure that the organisation's standards remain high, preventing any recurrence of past mistakes.

286. Phase Two Project May – incorporation to new Equality, Diversity and Inclusion Strategy: The Group Executive and myself considered that we would be able to incorporate ongoing lessons and implementation of the lessons from Project May into the EDI Strategy, which will be launched in autumn 2024.

287. The newly appointed Director of Talent and Capability joined in June 2024, the Head of EDI joins on 1 October 2024 and both will be responsible for the integration of the lessons learned arising from Project May into the organisation wide EDI Strategy with other senior leaders leading the implementation. The intention is to ensure that the lessons learned contribute to a more inclusive and ethically sound organisational culture. There is also the opportunity for fresh pairs of eyes coming into this and helping drive this in the right direction. There are

plans for online training for every single member of staff in the organisation that will be mandatory from the end of Phase Seven to bring to life the lessons that have been learned from the Inquiry, and what we need to do to make sure that this never happens again.

288. I have been asked to explain whether any further identification work into the origin and use of the 'Identification Codes' document has been undertaken since the publication of the final Project May report dated 8 February 2024. No new identification work into the origin and use of the Identification Codes has taken place since the publication of the Project May report dated 8 February 2024. The work that has taken place since then is the broader activity on the EDI refresh and new Strategy.

289. Finally, on Project May I have been asked for my reflections on the outcome, conclusion and lessons learned from the Project May investigation and reports. Project May has highlighted critical issues within historical identification practices. No identification codes are used now. We have accepted and implemented the recommendations from ETICA Global ([POL00401681] paragraph 5.1.2 and paragraph 5.1.3) including annual refresher training on unconscious bias and regular training on up to date best practice on non-coercive investigations and interviews to ensure that the organisation operates with integrity, sensitivity, and respect for all individuals, regardless of what department they are in. We have looked for examples of best practice as set out in the Third Witness Statement of John Bartlett ([WITN11190300] paragraphs 17-21) in the way we conduct investigations, and how we can reassure ourselves that what we are using is appropriate, up to date and used in other more progressive organisations. I am confident

that we are doing a reasonable job in terms of responding to the findings of Phase One. My aim is to be certain this cannot happen again by ensuring that all staff have been through specific training and ensuring that the wider ramifications are being learned and adopted.

Other Reflections

290. It has been enormously helpful to have had some time to step back from the running of the business to ensure factual accuracy in assisting the Inquiry in Phase 7. There is a great deal for the Inquiry to consider in this Phase. For myself I would say that this time has also allowed me to step back from the hugely complex endeavour that is the Post Office and to focus upon what I hope is a useful set of personal reflections.

291. I would like to conclude this statement by setting out some high level reflections on what are, in my view, the issues facing Post Office today, how we got here during my tenure as CEO, what I think went well and what I wish could have gone better. Phase 7, as I understand it, is primarily about whether or not the appalling miscarriage of justice the Inquiry has been considering, could happen again. I feel as CEO that I should also address that question.

292. Post Office has undoubtedly been beset by many corporate, cultural and economic difficulties over the last five years (my time as CEO) and recently there have been very public disagreements and investigations at a senior level. I have also set out above concerns around the relationship with Government, the compensation schemes, funding, Fujitsu, difficulties around recruitment and retention (public sector pay controls, brand damage) and so on.

293. It seems to me however that when asking whether the injustice could happen again, it is necessary to separate out problems the Post Office is facing that on the one hand, whilst being of general concern, are either typical of large organisations or particular to those with a private/public purpose and therefore do not bear on the ultimate question and on the other hand, those that could give rise to worries that this could happen again. My personal view is most of the issues addressed in my statements fall into the former category and that, even with all the work still to do, which we fully acknowledge, it is unlikely that this kind of injustice would happen again.

294. My primary reason for saying that is that Post Office has introduced profoundly important changes to its decision making structure and transparency. As has been set out in detail, we have gone a long way to bringing Postmasters into the heart of decision making and the organisational structure. There is more to do and further work to be done and I agree with our Postmaster NEDs that we need to continue to build Postmasters into every corner of the business – this has been at the centre of our change agenda and whilst this is yet to be completed, we are, I believe making progress. This has to be the greatest safeguard against this happening again, that and ensuring a continuation of the level of scrutiny and accountability that the Post Office has been under.

295. There are of course other important factors including that Post Office has not since 2015 conducted its own prosecutions and importantly also we no longer outsource all controls to a wholly private sector entity like Fujitsu – these functions are returning in house. I have acknowledged the difficulties around Past Roles

above, but have to point out that the numbers of actual investigators from that era and still working for Post Office is very small.

296. That said, I would like to express some of my regrets in my term of office. First, I feel keenly that there are things Post Office could have done better, and as CEO I take my share of responsibility – I would pick out here the issues around tax, delays and problems in compensation, complexities in the scheme, disclosure and so on. I would have liked to have seen much greater pace in achieving cultural change and there is still some way to go. I would have liked to have ensured greater remuneration for Postmasters. I have addressed these in detail above.

297. I would have liked to have made much more progress on the replacement of Horizon with NBIT. The issues set out above including the funding, complexity, outsourcing of our capability etc are well documented. My specific regret on this is that I simply did not have the bandwidth to give as much attention to this than I would have liked.

298. Also, whilst I did express my deep concern about Post Office owning the Horizon Shortfall Scheme on account of our being perceived to be both prosecutor and compensator, I do wish I had been more forceful in putting this forward. Post Office simply should not have run any part of the redress schemes. Not only was this inappropriate on account of how this was perceived by victims but we did not have the capacity to manage the schemes whilst at the same time fixing Horizon, achieving the necessary cultural change and delivering on our commercial goals. We did not have the capacity to do it all, and would have been freed up to

concentrate on what Postmasters wanted us to achieve. There was a stark need to focus on commercial sustainability in order to ensure greater remuneration for Postmasters – for instance through managing out our ‘sunset products’ (cash, social mail),building growth through more profitable sustainable products and further developing our multi channel, multi product strategy.

299. Treasury had wanted the Post Office to feel a degree of the pain and chaos caused and to an extent I agree with this. However, running the compensation scheme massively impacted the today and tomorrow Post Office, begging the question why should today’s Postmasters suffer, having management time and retained profit focussed on the past. I am clear that Government should have run the schemes without Post Office involvement, leaving Post Office to prioritise cultural and organisational change, commercial sustainability and adequate remuneration for Postmasters.

300. In addition to the above, I am keenly aware of the crucial importance of the Past Roles and Project Phoenix issues. I have expressed above my personal concerns and regrets in relation to this.

301. Moving onto the relationship between Post Office and Government, I realise it is not easy to discern from the outside, but it is critical to the ultimate question Phase 7 has posed. My view is that there needs to be a significant change in the relationship and clarity around Government’s expectations of Post Office and the notion of an Arm’s Length Body.

302. When I arrived at Post Office, the model that had been introduced by Government was that Postmasters had moved from receiving fixed remuneration to variable

remuneration and thus responsible for their income generation. Not unreasonable so long as the model is based on a partnership and shared objectives – win-win. Unfortunately the equilibrium was skewed towards corporate Post Office. The focus was on corporate profit funding and moving away from Government subsidy. The net effect was that we were not and are not paying Postmasters enough.

303. Post Office is not purely an economic business, it's a social business subject to a social contract as was so clearly demonstrated throughout the pandemic and day to day up and down the country. Government, in my view, wants both but failure to define its social objectives and make explicit the social role of Post Office has produced tension and held back progress. It is imperative now that Government debates this and if it wants Post Office to maintain the social purpose – where we continue to provide national coverage, are available to support the isolated and the vulnerable, to provide free to all cash and local banking and the sale of products in rural, remote locations, it has to be adequately funded. As it stands the social contract creates a tension and a conflict with the economic endeavour. It runs counter to the organisation's ability to be nimble and bold in its decision making. Many decisions are made through the lens of 'is there someone we are disadvantaging' vs 'is this good for Post Office' overall. This talks to culture, holds back innovation, particularly digital innovation. The funding has to fit the purpose that Government wants Post Office to deliver and the culture needs to follow.

304. The relationship between Post Office and Government, being the sole shareholder has led, in my view to an unhelpful level of interference in the Board

and critical decisions that needed to be taken. There have been multiple Government stakeholders across UKGI, Treasury, DBT and other Government departments; there have been 6 Ministers and 5 Secretaries of State in my time as CEO. Post Office Board and senior leadership have often been unsure as to who was making decisions and what decisions Government wanted to be involved in. The layers above are often opaque.

305. I need also to add to my conclusions that an important driver for some of the slow and unacceptable progress that Post Office has made since 2019, is down to the profound difficulties that it faced in terms of recruiting and retaining the calibre of staff and Board that were necessary to meet the challenge. The working environment, being subject to public sector pay, inventive and settlement constraints, brand damage and corresponding but entirely understandable low morale, has meant that Post Office was frankly ill-equipped to achieve the progress needed. I understand that the same criticism might be levelled at me and I know I need to be judged against my performance. This has been the single hardest job I have ever done and looking back on this, I appreciate both the ways in which I could have done better but also the complex difficulties that arose on account of its almost unique position in the public/private sector.

306. Finally, and on a different note but very important to write in my concluding remarks, I want to say that there are things Post Office should be proud of including the move to seeing itself as serving Postmasters and not the other way round, support for Postmasters magnificent response during Covid and some of the commercial steps that have been taken (e.g.: the leadership and provision of cash and free banking; the new multi channel; multi carrier strategy for parcels;

the leadership in digital identity; the market leadership in travel and the provision of foreign exchange as well as the highly profitable on line financial services business). There are many committed hard working members of staff at Post Office who care deeply about the fact that it is a nationally important service to many people including the vulnerable and isolated. Most of the people I meet care deeply about what has happened (and indeed have been personally appalled and affected by the tragedy) and their contribution to change and redress should not be overlooked. It also should perhaps be recognised that Post Office has not been an easy place to work in recent years, and on the downside the level of scrutiny everyone has been under has created an unfortunate culture of fear and in turn a reluctance to take accountability. These are cultural difficulties which we continue to address.

307. I want to finish by trying to strike the right note for the Postmasters who suffered, the current Postmasters, Post Office staff and myself. Whilst I was not leading the Post Office when the original miscarriages happened, I have been responsible for this organisation during an era of necessary cultural change, payment of compensation, overturning of convictions and a need for Postmasters to be better remunerated. My apology here for the things that should have gone better under my watch will be added to the long list of apologies and of course, ought not to be the last to be written down or said out loud. I am painfully aware however that apologies, whilst they are needed, cannot make up for the suffering that has been caused.

308. Whether the injustices of the past could happen again is a profoundly important question for the Inquiry to ask and also for Post Office to continue to ask itself,

and I hope I have addressed adequately here the complex picture at Post Office now. My final reflection is a heartfelt hope that the injustices of the past are finally put to rest and the changes to Post Office that need to take place to ensure they do not happen again, continue with the full support of Government.

Statement of Truth

I believe the content of this statement to be true.

Signed: **GRO** _____

Dated: 13-Sep-2024 | 9:43:39 AM PDT

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| 2. | POL00448889 | <i>'What do you see as the main opportunities for the Post Office in the future?'</i> , presentation by Nick Read to Post Office on 11 June 2019 | POL-BSFF-WITN-042-0000021 |
| 3. | POL00448897 | Notes from dinner with Tim Parker on 9 September 2019 | POL-BSFF-WITN-044-0000006 |
| 4. | POL00286627 | Briefing from Julie Thomas on Operations and GLO Contingency Planning dated 22 October 2019 | POL-BSFF-0124690 |
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