

Witness Name: Sarah Isabelle Gray

Statement No.: WITN11440100

Dated: 11 September 2024

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF SARAH ISABELLE GRAY

I, SARAH ISABELLE GRAY, will say as follows:

A. INTRODUCTION

My role and experience

1. I am a current employee of Post Office Limited ("**POL**") and hold the position of Interim Group General Counsel ("**IGGC**"). From 1 June 2020 I was employed by POL as Group Legal Director ("**GLD**"). I was appointed IGGC on 1 April 2024.

Purpose of Statement

2. This witness statement is made to assist the Post Office Horizon IT Inquiry (the "**Inquiry**") with the matters set out in the Rule 9 Request dated 24 July 2024 (the "**Request**"). The Request seeks my response to questions concerning the changes that have been made within POL following (a) the findings of Fraser LJ in the Common Issues Judgment ("**CIJ**") of 15 March 2019 and the Horizon Issues Judgment ("**HIJ**") of 16 December 2019 (together, the "**Judgments**"), and (b) resulting from evidence arising out of the Inquiry, which go to the present relationship between POL and its Postmasters ("**PMs**"). PM is the term most commonly used at POL, and I include in this all individuals and companies operating post office branches, which includes "Subpostmasters" as referred to in the Judgments.

3. The Request contains 34 questions, the responses to which overlap across topics. I have endeavoured to organise my statement into various themes and I have answered all of the relevant questions in a logical order based on the factual response. I have not replicated the structure of the Request in this statement.

4. I have instructed Baker McKenzie to represent me in respect of the Inquiry. Baker McKenzie have assisted me in the process of preparing this witness statement, although I confirm that the evidence it contains is my own.

B. SUMMARY OF EVIDENCE

5. Before addressing the questions raised in the Request specifically, I provide a brief overview of the perspectives articulated in my evidence in order to set the rest of my statement in context.

6. Throughout my time at POL, it has been an organisation rocked by crisis. This is as a result of the Horizon scandal, and in particular the findings of Fraser LJ in the Judgments, as well as the consequent attention POL has received from the public and commentators. The way that POL treated PMs (individually and collectively) was truly horrifying, and while I was not involved in that treatment, I recognise that it represents a stain on the organisation, and it continues to be a source of shame for those of us in leadership. As a result of this, my strong sense is that there is a deeply-held desire within those at the highest levels of POL to seek, so far as is possible, to make amends for the past, and to bring about change within the organisation to make sure those wrongs can never be committed again.

7. Wide-ranging structural and cultural change takes time in any organisation with the size and scale of POL. POL has been on this journey since 2019. However, in my view, bringing about such reform has been particularly challenging for POL over recent years. This

is partly due to long-standing structural issues (such as the tension in the relationship between POL and its shareholder, which I expand on below), and partly due to the state of crisis in which we continue to operate. In particular, there has been a very high turnover of individuals in leadership positions, which has been a challenge to maintaining stability and strategic focus, and continues to be a challenge. Similarly, a considerable amount of time and energy has been dedicated by the leadership to participating in the Inquiry. While that is entirely appropriate and necessary, given the importance of the Inquiry process, it has inevitably diverted resource from the management of business-as-usual operations, as well as the work needed to engender and embed the change we recognise to be critical to the proper future operation of POL.

8. Notwithstanding this, in my opinion notable improvements have been instigated at POL in the period following the Judgments. For example, I am proud of how we have professionalised POL's approach to internal investigations through the creation of a specialised investigations unit (now referred to as Assurance and Complex Investigations ("A&CI")), and how we have raised the standards of our whistleblowing procedures under the banner of "Speak Up". I consider these to be meaningful changes for the better, which contribute to ensuring that processes are in place so that nothing similar to the previous miscarriages of justice could happen again.

9. I recognise that a lot of work remains to be done. In particular, as I explain below, I am strongly of the view that processes must be in place to ensure POL's legal function operates effectively and is included routinely in all major decision-making. The period after the conclusion of the Inquiry will be critical to ensuring that we can continue to achieve necessary reforms. In the meantime, I observe that POL continues to listen hard and learn from the past to deliver positive change.

10. My evidence below is organised as follows:
- (a) background to my role at POL and the structure of the legal function;
 - (b) POL's governance structures and its functional operational effectiveness;
 - (c) observations on organisational behaviour and culture;
 - (d) implementation of operational changes driven by Legal, Compliance, Assurance, Secretariat and Risk ("**LCASR**");
 - (e) whistleblowing and Speak Up;
 - (f) conclusions, concerns, and further recommendations; and
 - (g) other matters.

C. ROLE, RESPONSIBILITIES AND STRUCTURE OF THE LEGAL FUNCTION

My appointment to the role of Interim Group General Counsel

11. I have been asked to set out details of my role, duties and areas of responsibility as IGGC and GLD at POL.

12. I hold the role of IGGC in light of the current absence of the Group General Counsel ("**GGC**"), Ben Foat. I was appointed for an initial period ending on 4 June 2024. On 16 July 2024 my appointment to this role was extended to 30 June 2025 (terminable earlier upon the return of the GGC). Between 4 June 2024 and 16 July 2024, I continued to act as IGGC of POL, absent any extension or formal appointment, as negotiations concerning the extension of my appointment were ongoing.

13. Prior to my appointment as IGGC, I held the position of GLD from 1 June 2020, reporting to Mr Foat. Prior to 1 June 2020, I was not employed by POL and do not have

direct knowledge of POL's operations during the period between the Judgments and that date. I have therefore limited my evidence below to facts and matters within my direct knowledge from 1 June 2020, save where I am able to make observations arising from my understanding of the Judgments, evidence heard in the Inquiry, and advice and conversations within the ordinary discharge of my responsibilities at POL, as described below.

14. During my time at POL my roles have been focused largely on day-to-day (by which I mean non-Inquiry related, "business as usual") legal matters. In this statement I will refer to my focus and team as Business-As-Usual Legal ("**BAU Legal**"). Where I refer in this statement to POL's legal function or legal staff, this includes those lawyers working within the Inquiry and Remediation Unit teams. I have had no direct responsibility for Judgment or Inquiry-related workstreams. Other teams within the POL legal function and the business are responsible for advising on the Inquiry and managing workstreams directed towards the learnings arising from the Judgments and evidence heard in the Inquiry. That said, I have endeavoured to educate myself as much as possible as to the Judgments and the issues under consideration in the Inquiry, not least so that the legal function can learn the lessons of the past.

15. While I do not claim to be aware of the detail of all of the evidence the Inquiry has heard, from 9 April 2024 I requested members of BAU Legal to monitor evidence in relation to Phase 5/6 of the Inquiry and record any key themes relevant to POL's legal function. BAU Legal and I have either then formed, or are in the process of forming, plans to address the key issues identified during this process. I provide more information about this below in the section in which I detail the steps taken by me and within BAU Legal to deliver change.

16. In my current role I have also had some limited insight into Inquiry-related workstreams through attendance at the Inquiry Steering Committee ("**ISC**") and meetings of the Senior Executive Group ("**SEG**"). I have therefore acquired some of the knowledge set out in this witness statement in relation to the Judgments and evidence heard in the Inquiry as a result of *ad hoc* advice, conversations, and observations of conversations, as well as items discussed at meetings of SEG.

Duties and areas of responsibility

17. Until 2 September 2024, my role sat within the combined function of LCASR. On 2 September, Compliance, Assurance & Risk split from Legal, A&CI and Secretariat. There is not yet a new name for these new groupings. I will continue to refer to LCASR, since many of the operational changes I discuss in this statement were driven by LCASR prior to 2 September 2024. My responsibility is to support and facilitate the business to comply with its legal and regulatory obligations, to manage risk and controls through operational processes, the drafting of legal instruments and the provision of legal and regulatory advice (the "second line of defence" that I describe further below). I was supported by the teams that formed LCASR, and continue to be supported by the Legal, A&CI and Secretariat teams which remain under my oversight, in executing this role.

18. Ben Foat's period of absence and my role as IGGC was initially expected to be two months. It is not normal practice at POL to provide a job description for short interim arrangements. However, I requested one as my initial letter of appointment referred to the duties of my role being outlined in a job description. Although a current job description was not available at the time, on 10 April 2024 I was provided with what I believe to be the job description from when Mr Foat became GGC in 2019, JD - Group General Counsel v3 [POL00458052]. The document is undated, but I believe it to be a number of years old. I do

not consider it comprehensively reflects the responsibilities of the role, and I have therefore expanded on my responsibilities below.

19. Specifically, notwithstanding the absence of a formal record or job description, I understood my duties as IGGC at the time of my appointment to include:

- (a) attending SEG meetings in a non-voting capacity;
- (b) chairing the Risk and Compliance Committee ("**RCC**");
- (c) attending the Audit and Risk Committee ("**ARC**");
- (d) attending the ISC in a non-voting capacity;
- (e) oversight of the LCASR team;
- (f) provision of legal counsel to the POL Board, SEG, and POL generally; and
- (g) responsibility for LCASR's budget and headcount.

20. A few days before my initial appointment as IGGC on 1 April 2024, I attended a short handover meeting with Mr Foat, in which I sought clarification on the scope of the interim role and the authority that was being delegated. Mr Foat advised that the interim role was not a like-for-like replacement and did not encompass standing in for him as Chair of First Rate Exchange Services Limited, a joint venture travel currency business between Post Office and Bank of Ireland, or as executive sponsor for PRISM, Post Office's LGBTQ+ network. Mr Foat also informed me that I did not, in his absence, have authority to make the significant structural changes to one of the teams within LCASR that had previously been discussed within POL. I understood this to be because he was (at that time) stepping away

for a two-month period only and intended to resolve those issues upon his return. Similarly, Mr Foat indicated he intended to make certain other changes to the RCC upon his return.

21. When my role as IGGC was extended beyond 4 June 2024, there was no discussion regarding any change to my authority or the scope of my role. As it became clear that the interim period would extend, and after I initiated discussions with Nigel Railton, Interim Chair, and Simon Jeffreys, ARC Chair, it was agreed that I should proceed with certain changes to the RCC and Controls Framework.

22. Having explained the scope of my role, I provide below an overview of how POL's legal and associated functions are organised, and how that organisation has changed over recent years, as I have been asked to address changes in my duties and areas of responsibility, and in order to set the contents of my statement in context.

Structure of LCASR

23. LCASR was a centralised function which supported and facilitated the business of POL by ensuring it had a proportionate and efficient approach to governance, compliance and legal management to support its commercial goals and public purpose. Prior to the reorganisation on 2 September 2024, which I explain at paragraph 17 above, LCASR contained the following divisions:

- (a) the BAU Legal team, as described below;
- (b) Company Secretariat, responsible for administering meetings of the Board and communications with Companies House;
- (c) Group Compliance, responsible for ensuring compliance with regulatory obligations and applicable standards;

- (d) Group Assurance, responsible for ensuring POL follows legal, regulatory and other applicable standards, and focuses on assuring compliance with the Judgments, and that historical matters have been dealt with fairly and lessons have been learned;
- (e) A&CI, responsible for conduct of complex investigations and assurance of investigative activity at POL, and which includes Speak Up, POL's whistleblowing programme; and
- (f) Group Risk, responsible for assessing and managing risks.

Structure of BAU Legal

24. The GGC is the most senior lawyer within the organisation. Below the GGC is the GLD. Below the GLD are the lawyers who make up the BAU Legal team. Those lawyers sit within sub-divisions, as explained below in paragraph 27. As well as my appointment as IGGC covering the Group General Counsel's absence, the Head of Legal Corporate, Banking & Financial Services, Christian Spelzini, is serving as Interim Group Legal Director ("IGLD").

25. BAU Legal currently reports to me as IGGC (via the IGLD).

26. The BAU Legal team supports POL's business in managing its legal risk by providing legal and regulatory advice, drafting contracts, liaising and negotiating with third parties, providing legal training across the business, and protecting and enforcing intellectual property and brand rights. BAU Legal provides a risk report to the RCC twice a year, usually in March and September, and also provides legal and risk advice to the SEG and the Board on material matters.

27. The BAU Legal team is itself sub-divided into the following areas of subject matter specialism: human resources and industrial relations; IT & procurement; dispute resolution

and brand protection; retail and network; freedom of information and data protection; and corporate, banking and financial services. Each sub-group is overseen by a head of legal who reports to the GLD, who in turn reports to the GGC. The BAU Legal team currently consists of 28 people (including two vacancies, the EA and admin and excluding the GLD and GGC).

28. Separate to LCASR, there are also legal teams within each of the Inquiry, and Remediation Unit divisions, called "Inquiry Legal" and "RU Legal" respectively. In my role as IGGC, I do not have (and have never had) responsibility for either Inquiry Legal or RU Legal.

29. Between around January 2022 and July 2023, executive accountability for the Inquiry and RU functions (together with Inquiry Legal and RU Legal, which sat beneath them), resided with the GGC. I believe the GGC's accountability commenced in October 2021, but have not been able to obtain confirmation of this date from POL. From July 2023 to in or around February 2024 (as best as I can recall), oversight of the Inquiry, including Inquiry Legal, RU and RU Legal was transferred to Nick Read, POL's Chief Executive Officer ("CEO"). I recall that responsibility transferred again, this time to Karen McEwan, the Chief People Officer ("CPO") in or around February 2024. John Dillon, Interim General Counsel (Remediation Unit and Inquiry), joined POL on 1 July 2024. Mr Dillon has oversight for Inquiry and RU related legal advice, and has had oversight of the RU team as a whole since 1 August 2024.

30. When I started at POL as GLD, the GGC's remit comprised BAU Legal, Compliance, and Governance (now called Company Secretariat). At that time LCASR was called Legal, Compliance & Governance. A&CI and Group Assurance did not yet exist (both of these were created in 2022). Group Risk transferred into the Legal, Compliance & Governance function in around March 2024. As GLD, I was responsible for BAU Legal. I also had oversight of

Compliance between approximately September 2021 and April 2023, to give Mr Foat bandwidth while he had executive responsibility for the Inquiry and RU teams. Mr Foat retained oversight of matters relating to the Group Litigation Order and arising from the Judgments, the Controls Framework, and any significant changes to banking, anti-money laundering or bank charges.

31. During 2022, a new investigation unit was established reporting to the GLD, initially called the Central Investigations Unit ("**CIU**"), now called A&CI. This division includes Speak Up (POL's whistleblower process) and is responsible for managing complex investigations, as well as providing assurance over investigative activity carried out by other teams within POL. As of July 2024, A&CI reports to me as IGGC. Speak Up reports to John Bartlett, Director of A&CI. Concerns raised through Speak Up are investigated by qualified and experienced investigators within A&CI. Speak Up is described more fully in paragraphs 250 to 256 below.

Organisational and structural operation of POL's legal function

Structure and roles

32. I have been asked to provide current organisational charts showing POL's legal function. Exhibited to this statement are organisational charts which I have been informed by POL are current to 1 September 2024 (although the documents are dated August 2024), showing the structure, personnel and roles/responsibilities of:

- (a) BAU Legal: 240807 Legal team structure [POL00458047]. In my view, this document contains the following inaccuracies:
 - i. references to "Acting" in my role, and the roles of both Christian Spelzini and Jane Beeko should be "Interim";

- ii. GRO accurate title is "Head of Legal – Data Protection and FOI Law";
and
 - iii. a role of "Legal Counsel Dispute Resolution", held by Paula Keatley, should appear below the Head of Legal – Dispute Resolution and Brand Protection;
- (b) RU Legal: 2024-08 RU Legal [POL00458048]. In my view, this document contains the following inaccuracies:
- i. Nicola Munden, Legal Services Director, reports to Simon Recaldin, Remediation Unit Director, rather than reporting directly to John Dillon; and
 - ii. I am not aware of one of three legal counsel in "Detriment";
- (c) Inquiry Legal: 2024-08 Inquiry Legal [POL00458049]. In my view, this document contains the following inaccuracies:
- i. I understood John Dillon to hold the role of Interim General Counsel (Remediation Unit and Inquiry) from 1 July 2024, but became the direct manager of the three Heads of Legal – Public Inquiry from 1 or 2 September; and
 - ii. I understand one legal counsel reporting (indirectly) to Andrea Beveney, Head of Legal – Public Inquiry has left POL.
33. I do not expect the organisational charts to be impacted by the change to LCASR identified at paragraph 17, effective as of 2 September 2024, as they do not include members of LCASR beyond BAU Legal and A&CI.

34. I have been asked to set out the extent to which there have been changes in the structure of roles and responsibilities of POL's legal department. I do this by reference to BAU Legal, not by reference to the Inquiry or RU Legal teams for which I have no responsibility. I have set out below details of the establishment of a specialised investigation unit (paragraphs 197 to 205) and of greater interaction between BAU Legal and the Board (paragraphs 207 - 210, 225 - 226). Both represent substantial positive changes in the role of LCASR (now Legal, AC&I and Secretariat, explained at paragraph 17 above).

35. About 6 months ago, I moved the two lawyers responsible for data protection and Freedom of Information Act requests into the BAU Legal team from Compliance, and I created a new Head of Legal Data Protection and Freedom of Information role for the more senior of the two lawyers.

36. In May 2022, in my previous role as GLD, I promoted the then Senior Legal Counsel of Human Resources and Industrial Relations, Laurence O'Neill, to a Head of Legal role, in recognition of the complexity and diversity of the matters for which he was responsible. In May 2022, I also promoted the Senior Legal Counsel in Corporate, Christian Spelzini, to Head of Legal Corporate, Banking and Financial Services to manage a larger team with a larger remit. On 1 April 2024, I promoted the Senior Legal Counsel Dispute Resolution and Brand Protection, Kirsty O'Connor, to Head of Legal Dispute Resolution and Brand Protection. In December 2021 BAU Legal also hired its first Senior Legal Counsel in banking.

37. In around May 2022, I changed the reporting line of the lawyer primarily responsible for matters related to Payzone from the GLD to the Head of Legal Corporate, Banking and Financial Services. In addition, I moved the accountability for property law and competition law matters to the Head of Legal Dispute Resolution and Brand Protection when she took on the Head role.

38. Since I was appointed IGGC there have also been a number of other interim appointments which, once filled by internal hires, have resulted in vacancies in other parts of the LCASR structure.

Relationship and interaction between Legal and Management and Board

39. A number of changes either implemented or in the pipeline will support the Board's access to legal advice. These include: (i) IGGC attendance at Board meetings, (ii) senior legal advisors' access to board minutes, and (iii) a gateway check to ensure a lawyer has had the opportunity to advise on all Board papers. These changes are also directed towards ensuring legal oversight of decisions and risks. Secretariat will also be more widely publishing draft agendas for SEG, ARC, Board and RCC so that the GLD and Heads of Legal can scan for areas they need to engage the business on if the business has not reached out for legal advice. In addition, a hyperlink will now be provided in the Board papers to the full Legal Risk Note/advice. I expect such changes to be a considerable improvement in supporting the Board's access to legal advice as required, but I will continue to consider if there is a need for further improvements.

40. I have a good working relationship with the members and other attendees of the SEG. Based on my experience at meetings, I believe all SEG members and attendees understand the challenges that POL faces and are working together in a focused, positive and collaborative way.

D. GOVERNANCE STRUCTURES AND FUNCTIONAL/INTER-DEPARTMENTAL OPERATIONAL EFFECTIVENESS

Summary of POL corporate governance framework

41. I have been asked to provide my view as to the adequacy and effectiveness of POL's current corporate governance arrangements. Before doing so, I set out the arrangements as they stand.

42. POL is wholly-owned by the UK Government. The Government owns a special share in POL, the rights of which are set out in the Articles of Association. The relationship between POL and the Government is managed by the Department for Business and Trade ("**DBT**"), and UK Government Investments ("**UKGI**").

43. Lorna Gratton of UKGI sits on the POL Board as Shareholder Representative. There is a Shareholder Relationship Framework Document ("**Framework Document**") that sets out the parameters within which POL is expected to operate and how POL, DBT and UKGI interact with each other.

44. Whilst not a listed company, POL takes into consideration the requirements of the UK Corporate Governance Code and, where necessary, sets out where certain provisions do not apply.

45. The Board operates a number of Board Subcommittees: the ARC, the Nominations Committee, the Remuneration Committee, the Remediation Committee, and the Investment Committee.

46. I am aware that the Board engaged Grant Thornton in October 2023 to conduct a review of POL's corporate governance arrangements. I was not involved in preparing the terms of reference for this review, or in the preparation of the report. A copy of the report was only recently provided to me. Based on my experience of POL to date, I broadly agree with Grant Thornton's observations and recommendations. However, I have also made a number of observations on opportunities for improvement in POL's corporate governance arrangements, as explained below.

Summary of operation of management and Board

47. I have been asked to set out my relationship with the Board and SEG, and changes in my relationship with each of these bodies. I address below the bodies and stakeholders involved with major decision-making at POL, namely the Board (paragraphs 48 – 53), the shareholder (paragraphs 54 - 57), and the SEG (paragraphs (58 - 61).

Board

48. My relationship with the POL Board is currently undergoing change. As explained in detail in paragraphs 207 and 208, I will be attending full Board meetings going forward. I expect this will mean that I have a more comprehensive understanding of the issues and risks facing POL, and that the Board will be able to access legal advice and be more fully informed of any legal ramifications and risks of its actions and decisions. In light of such changes, the points set out in the following paragraphs are therefore based on my past experiences with the Board.

49. In the past I have not attended full Board meetings but have occasionally attended certain parts of some Board meetings to brief the Board and/or advise it on specific legal issues. The issues on which I have historically briefed the Board have included:

- (a) providing business-as-usual legal advice on matters which require Board approval;
- (b) advising in connection with significant contracts (e.g. on issues concerning procurement);
- (c) advising in connection with issues involving a high level of risk; and
- (d) reporting to the Board on POL's Speak Up program.

50. On occasion I have discussed discrete topics with one or more Board members, either in advance of, or instead of, presenting on the issue to the Board directly. In those circumstances where I do not brief the Board directly on an issue, in my view a direct briefing is not required in light of discussions with Board members and the materiality of the issue in question. In future, I will attend Board meetings as standard practice and so be able to provide input and respond to questions as issues are discussed.

51. Based on conversations with Ben Foat, I believe that it has been common practice for individual Board members to contact the GGC with legal questions on a range of Board matters. On a number of occasions when I was in the GLD role, Mr Foat asked me for assistance in responding to these queries or obtaining the necessary advice from other POL lawyers.

52. I have a good working relationship with the current Board. I believe we have mutual trust and respect, and engage in open communication. Although I am yet to attend a full Board meeting, since taking on the IGGC role I have regularly attended meetings of ARC (which is a Board subcommittee). As GLD I was responsible for delivering an update to the ARC twice a year summarising legal risks. Additionally, as Interim RCC Chair, I provided a report to the ARC on matters discussed at RCC. The RCC is a management committee (not a Board committee), which considers risk and compliance issues and reports up to the Board through ARC. With the change to LCASR outlined in paragraph 17, the role of RCC Chair has passed to Preetha McCann, Interim CFO, and I understand she (or her delegate) will chair meetings of RCC from October 2024 onwards.

53. My main points of contact with the Board are:

- (a) Amanda Burton, who holds the role of the Board Speak Up Champion. I meet with Ms Burton on at least a quarterly basis to discuss Speak Up, which reports through

A&CI to me. Ms Burton has a legal background (although she is not engaged in a legal role) and, because of that skill set, is from time to time asked to assist in an oversight capacity on sensitive matters/ investigations.

- (b) Similarly, I have a quarterly meeting with the non-executive director Investigations Champion. This has recently changed from Ben Tidswell to Andrew Darfoor.
- (c) I work with Simon Jeffreys, the Chair of ARC, at preparatory meetings for ARC, at the ARC itself, and to discuss, for example, changes to the RCC.
- (d) I had calls, emails or meetings multiple times a week with the CEO, Nick Read, prior to his recent leave to focus on Phase 7.
- (e) Since he joined POL in May 2024, I have met with the Interim Chair, Nigel Railton several times. Those meetings have focused on topics including an introduction to areas for which I am (or was, until 2 September 2024) accountable (i.e. Legal, Compliance, Assurance, Risk and A&CI), my view of key risks, and proposed changes to the RCC.
- (f) I brief other Board members on an *ad hoc* basis ahead of a Board meeting if there is a complex or contentious matter that is likely to fall within that Board member's particular interest. The briefings are either at my suggestion, or at the request of a Board member, and are sometimes set up regularly for ongoing matters (for example, certain data breaches or investigations). Such briefings are generally held with the Board member, a relevant business lead, myself and another member of BAU Legal.

- (g) I have not had much individual contact with the two non-executive directors who are serving PMs, save for my involvement in their induction to the Board in 2021, during which I provided training on directors' duties and competition law.

Shareholder and Board roles

54. There are three key documents that govern the relationship between the shareholder and the Board, namely the Framework Document, the Articles of Association and the Funding Agreement. They are drafted to sit as a suite of documents. The Framework Document sets out the broad governance framework within which POL is expected to operate, including POL's core responsibilities, and the roles of the Board and shareholder. The Framework Document is not legally binding, although the parties generally operate pursuant to its terms. The Funding Agreement sets out the funding POL receives to provide the so-called "services of general economic interest" and any applicable conditions to that funding (such as reporting obligations). As for any company, the Articles of Association set out the governance of POL. There is also an annual letter from the shareholder setting out the Government's broad objectives for POL.

55. Notwithstanding that they are supposed to operate as a suite of documents, there are inconsistencies between them, and in my view, they are out of date. For example, all three documents refer in different ways to a "Group Strategic Plan", but POL does not have an agreed strategic plan. I understand that minor amendments to the Framework Document are being negotiated between POL and its shareholder, but I believe broader changes are necessary to resolve inconsistencies and ensure the documents reflect POL's current ways of working.

56. In my view, the role of the shareholder in POL's business would benefit from being more clearly defined, as would the applicability to POL of the UK Government's other

guidance documents on the operation of public sector bodies. POL is an organisation which both generates significant income from commercial activities and receives government funding. For example, UKGI set out its expectation that POL should observe the principles of the Public Sector Pay Terms in around 2019 or 2020, and while POL complies with the principles (i.e. prudent control of public money), the details of the policy are not consistently enforced by POL or the shareholder. I believe that further clarity will come from the amendment and updating of the Framework Document, Articles of Association and the Funding Agreement.

57. The division of roles and responsibility between the Board, executives and other stakeholders is not always clear. The accountability chain is complex and decisions often appear to be escalated out of hesitancy or uncertainty of authority. Increasing clarity of the division of roles and responsibility between POL Board and executives, POL committees and subcommittees, and the shareholder representative, will improve the pace of decision-making while also maintaining accountability.

SEG

58. The SEG is a group of the senior members of POL's executive leadership team under the authority of the CEO. I am a regular attendee of the SEG, by invitation. The current members of the SEG are:

- (a) Neil Brocklehurst, Interim COO;
- (b) Preetha McCann, Interim CFO;
- (c) Karen McEwan, CPO; and
- (d) Andy Nice, Interim Chief Transformation Officer.

(e) In addition, until recently the SEG also included Owen Woodley, who was Acting CEO until he left POL at the end of August 2024.

59. The following people are regular attendees at SEG, by invitation in order to provide and receive information:

- (a) Me, as Interim Group General Counsel;
- (b) John Dillon, Interim General Counsel (Remediation Unit and Inquiry);
- (c) Chrysanthy Pispinis, Chief of Staff;
- (d) Charlotte Cool, Interim Corporate Affairs Director; and
- (e) Alison Hoyland, Deputy Company Secretary.

60. Chrysanthy Pispinis and I are the SEG attendees due to remain with the business that have the longest experience at POL. The amount of turnover in the members of the SEG contributes to a lack of corporate memory. This creates problems for the SEG's operation, although it does mean the SEG benefits regularly from new and diverse views.

61. The environment at the SEG is such that all members and attendees are free to express their opinions, and there is often robust discussion and healthy debate. There have been a number of recent changes to the SEG with the addition since July 2024 of the following: Neil Brocklehurst (Interim COO), Preetha McCann (Interim CFO), John Dillon (Interim General Counsel (Remediation Unit and Inquiry)) and Charlotte Cool (Interim Corporate Affairs Director). I believe these new additions have brought a diversity of thought and have strengthened the executive team.

SEG subcommittees

62. The SEG operates through a number of subcommittees. There is uncertainty and a degree of overlap between the remit of the various SEG subcommittees, as well as uncertainty in the powers of each subcommittee. Whilst Acting CEO, Owen Woodley initiated a review of these subcommittees. I believe this review is paused pending the outcome of a broader strategic review, which includes examination of technology, network, organisational design, and PMs ("**Strategic Review**") being conducted by Teneo. Assuming the review continues, it will examine the purpose, effectiveness, areas of responsibility, and membership of each subcommittee in order to address, in particular:

- (a) uncertainty as to which committees within POL are SEG subcommittees;
- (b) the powers of subcommittees to send papers directly to the Board, rather than first sending to the full SEG; and
- (c) the remit of each subcommittee, the scope of its delegated authority and whether that delegated authority is appropriate and sufficient.

63. As well as seeking to aid governance directly, and improving speed and efficiency in decision making, I expect this review to enable me and my BAU Legal team to provide input and advice to SEG and its subcommittees in a more targeted and direct manner.

64. Some SEG subcommittees (e.g. Strategic Platform Modernisation Steering Committee) do not have an LCASR attendee. In my view, BAU Legal should have some oversight of, and input to, all areas of work sufficiently significant to warrant a SEG subcommittee. I have requested LCASR attendance at the Strategic Platform Modernisation Steering Committee and intend to continue to progress this.

Risk tolerance and management risk appetite

65. I have been asked to set out any concerns I have in relation to SEG and the POL Board. In the following paragraphs I set out my concerns in relation to a lack of succession planning, a need to strengthen POL's approach to risk management, and my views on the SEG and Board behaviours and accountability.

66. I am very familiar with the "three lines of defence" governance and risk management model adopted by the regulated sector and use this terminology throughout this witness statement. By way of explanation, the three lines of defence model assumes the first line of defence against risk to be the conduct of employees in the business itself – how everyone from senior leadership downwards conducts themselves in everyday business decision-making and individual conduct. The second line of defence is known as the "control functions" which include Compliance, Risk, Assurance and Legal. Finally, the third line of defence is the process of internal audit, and the provision of independent assurance of the first two lines. I have made observations in paragraph 206 below as to the efficacy of this structure in POL at present.

67. In my view, POL's approach to risk management requires development through the strengthening of the RCC's role within the organisation, review of RCC membership with the aim of reducing the total number of members to focus discussion, and review of its terms of reference. More broadly, I consider that we need to deliver more in-depth training on risk management at all levels of POL, and take steps to raise awareness of its importance. The company currently relies on second line of defence functions (such as Risk, Compliance and Assurance) to manage risk rather than embedding ownership in the first line of defence (the business). POL's appetite and tolerance of various risks should be reviewed and formalised in a way which ensures it aligns with the business' strategic objectives.

Succession planning

68. There has been a high turnover in both SEG and Board members over recent years. Each departure creates disruption as knowledge is lost and working styles must adjust. I understand that this issue was called out in the Grant Thornton Review. POL recognises the need to improve in this area; succession planning is included within the People Plan that the People Director – Talent and Capability, Leadership and Culture, Hawa Sewell-Sydiq, is progressing. I understand the Nominations Committee are considering succession planning at Board Level.

69. My experience coming into the IGGC role was that there was an inadequate handover procedure. The scope and limitations of my role and responsibilities lacked clear definition, as I describe above. This was also the case when I started my previous role as GLD. I understand others have had similar experiences on joining and changing roles. Across POL, there are clear delegations with respect to spending authority, but there is a need for more precise allocation and separation of responsibility between roles. In my view, this issue, along with a general nervousness about making decisions, results in a greater number of decisions being escalated to the SEG and the Board than is optimal.

70. The People team (POL's human resources function) has developed, and is in the process of revising, a "People Plan", so there is work underway to address these problems. I believe that the People Plan, the reorganisation of SEG subcommittees (see paragraph 62), and the Strategic Review being carried out by the consultancy, Teneo, will help resolve these issues, albeit I am not directly involved in any of these initiatives.

Observations on SEG and Board behaviours, attitudes, accountability and challenges

71. Until April 2024, when I became an attendee of the SEG, my interactions with the SEG and Board were relatively limited, as the Group General Counsel was the representative of LCASR who attended the majority of meetings with those bodies.

72. As currently constituted, I do not have any concerns about the SEG or Board, whether as a group or in relation to specific individuals. I consider that both bodies are fully committed to addressing the issues of the past, and their members behave in an open, transparent and collaborative manner. I do not see any cultural or behavioural challenges. The SEG shows resilience as a team, and has worked well together to address challenges arising from changing composition, and the fact that a number of core members are witnesses to the Inquiry.

73. I have also been asked to provide details as to the behaviours and attitudes of the individual members of the SEG and the Board, and their accountability. I summarise my views in relation to SEG as follows:

- (a) Nick Read, the CEO, is approachable, accessible, and professional. He has shown accountability for preparation of the corporate statement required as part of Phase 7 of this Inquiry. However, I observe that Mr Read prefers to avoid conflict and, as a consequence of this, some people and performance issues have not been resolved as they should;
- (b) Owen Woodley, whilst Acting CEO showed decisive leadership, and was collegiate, fair and balanced;
- (c) Neil Brocklehurst is strategic, professional, and asks sensible questions. I note that Mr Brocklehurst only joined the SEG in July and therefore our interactions have been limited;
- (d) Karen McEwan, Chef People Officer, is empathetic, inclusive, and driven to improve the culture; and

- (e) As regards Preetha McCann, Interim CFO, and Andy Nice Interim CTO, I have not had sufficient interactions with them as yet to comment.

74. In my interactions with the members of the Board I have found:

- (a) Nigel Railton, although new, to show decisive leadership, to be genuine and inclusive, and to ask intelligent and curious questions. In my view, he wants to understand the business and gives everyone his time;
- (b) Simon Jeffreys to be professional in all dealings, clear on what is required, and to always show respect and understanding;
- (c) Amanda Burton to be professional and logical. Ms Burton can always be relied on to lean in to difficult issues, has been supportive when we have discussed issues involving legal (e.g. difficulties in recruitment and retention) and came and spoke to BAU Legal on her experiences at a company in crisis when she was a general counsel; and
- (d) Lorna Gratton provides constructive challenge and a government lens.

75. I have not had significant interaction with the other members of the Board and cannot comment on their behaviour, attitude or accountability.

Management and Board approach to implementation of findings of Fraser LJ and evidence heard in the Inquiry

76. I have been asked to set out in detail my interactions with POL SEG and the POL Board with respect to changes implemented by POL as an organisation to address the findings of Fraser LJ and/or following evidence heard in the Inquiry.

77. My interactions with the SEG and the Board in respect of changes in which I have a direct involvement or responsibility are outlined in parts E to F.

78. In my view, since the Judgments and as evidence has been given in the Inquiry, the current Board and SEG have demonstrated a greater appetite for involving BAU Legal in decision-making and operations than previous POL leadership. I think this is a positive change.

79. The primary change to my interaction with the Board occurring during my time as IGGC is the transition to my attendance at full Board meetings (explained at paragraphs 207 - 208).

80. Generally, I have found the current Board and SEG to be supportive of issues I have raised, especially since Nigel Railton joined POL. Examples of this include the creation of the A&CI team and my requests to attend Board meetings, and for greater oversight by BAU Legal of papers and minutes.

81. I have been asked to set out my view as to whether I consider the level of attention being directed by POL SEG and the POL Board to addressing the findings of Fraser LJ and/or following the evidence that has been heard in the Inquiry to be adequate. In my view there is adequate attention dedicated by POL, including through the SEG and the Board, to addressing the findings of Fraser LJ, and issues arising as the Inquiry progresses.

82. We have a number of teams internally that are focused on this task, in particular the Inquiry and Remediation Unit teams and the ISC (supported by the new Interim General Counsel (Remediation Unit and Inquiry), John Dillon), as well as the former Improvement Development Group ("**IDG**"), workstreams which have been integrated into the business.

83. The Inquiry and Remediation Unit teams are primarily focused on workstreams arising from the Inquiry and remediation of PMs. Those workstreams include considering evidence heard in the Inquiry, provision of documents and information to the inquiry, and considering claims for remediation from PMs.

84. The IDG and IDG 2.0 (described at 194 and 195) were both tasked with considering the issues identified in the Judgments, and determining and implementing the steps necessary to resolve those issues. The work of the IDG is addressed at paragraphs 194 – 195.

85. The ISC and Interim Group General Counsel (Remediation Unit and Inquiry) provide operational oversight of POL's work in connection with the Inquiry, and monitor issues arising or brought to light in the Inquiry. They seek to feed knowledge accumulated as a result of the Inquiry back into business-as-usual functions.

86. A lot of work has been done to date, in particular in relation to the CIJ, which identified a number of clear failings on POL's part. For example:

- (a) changes to the PM contract template to address the problems identified in the CIJ;
- (b) communicating to existing PMs a summary of the consequences of the CIJ in order that PMs are aware of the terms implied into contracts;
- (c) training for call centre staff to improve customer service and improve the experience of PMs;
- (d) changes to Horizon in order that PMs are aware of any bugs and can easily raise disputes;

- (e) the introduction of new roles to support PMs, such as a Retail Engagement Director, Head of PM Engagement and PM Experience Director, as well as area managers;
- (f) the appointment of PMs to key roles within POL, including the PM Experience Director and two non-executive directors on the Board;
- (g) improvements to the suspension procedure for PMs, including: allowing PMs to retain access to their premises (except for a limited secure area); provision to the PM of detailed information and evidence relating to the suspension; allocation of an advisor the PM can contact to support with the suspension process; payment during suspension; the regular review of suspensions with a view to minimising duration; and amendments to clarify the PM Suspension Policy and internal POL policies in support of PMs;
- (h) improvements to the termination procedure including: a Contract Termination Policy, which now sets out criteria for termination; the introduction of a case management system; and the creation of a termination rationale document;
- (i) improvements to the onboarding procedure including: a requirement for PMs to receive a full copy of their agreement; the introduction of an onboarding policy; and end-to-end process maps to ensure the process is understood by those carrying it out; and
- (j) the decision not to conduct private prosecutions or pursue civil recovery against PMs for shortfalls.

87. While I have not been directly involved in the work described in paragraphs 86 (a) to (j) above, I have become aware of it through my conversations with colleagues and team members.

Specific changes in the process of providing legal advice arising from the Judgments of Fraser LJ and evidence heard in the Inquiry

88. I have been asked to describe the extent there has been a change in the *process* of providing legal advice since the findings of Fraser LJ.

89. With the exception of the changes I described in paragraphs 207 – 210 and 225 – 226 below, I do not believe there has been a material change in the process by which legal advice is given to SEG, the Board, or the organisation more generally since I joined in June 2020.

90. However, I do believe that there has been an improvement in the *relationship* between LCASR and other teams at POL and this in turn assists the process of implementation of advice given and the business's response to legal issues as they arise. My perception is that those within the business are now more likely to reach out for legal advice, and to trust that advice, thereby allowing the legal function to play a greater role in the management of POL's legal risks. I think those in the Heads of Legal roles have been instrumental in achieving this.

91. Legal advice can be provided to the SEG and/or the Board in a number of different ways, including as follows:

- (a) by way of a legal risk note prepared by the relevant lawyer (or on occasion external law firms or barristers) to accompany papers to the SEG or the Board. This is most common for agreements going to the Board and/or SEG for approval;
- (b) within a SEG or Board paper;
- (c) in a report from another forum, such as an ARC report to the Board;
- (d) by way of a full written advice memo; and/or

(e) an oral presentation from a member of BAU Legal or external barrister or solicitor. I have observed an increase in the frequency of oral presentations to the Board and SEG from lawyers, which I view as a positive development.

92. If more generic legal advice is to be disseminated broadly throughout POL, such as training on legal professional privilege, this is done through mandatory training modules, communications via a system called OneNews, or targeted face-to-face sessions for particular parts of the business. BAU Legal also provides advice directly to the business in connection with ongoing matters.

93. Legal advice can be initiated either by the provider of the advice, or the recipient. A member of the Board, SEG, or another senior leader may contact a member of the BAU Legal leadership team, who will then allocate the work to the appropriate lawyer(s) within POL. The relevant lawyer(s) will provide advice throughout the negotiation or other resolution of the issue. If BAU Legal identify potential legal risks that may impact POL, for example, due to a change in the law, or a lawyer becomes aware of issues through their network, they will reach out to the relevant business area to offer support. Advice may also be provided to the Board or SEG as a result of escalation of an issue by the GGC, IGGC, GLD or IGLD. This right for legal leadership to escalate issues directly to the Board has recently been incorporated into the Group Legal Policy.

94. As I explain at paragraph 225, I have requested that the Company Secretary team confirm that BAU Legal has been consulted before items can proceed to SEG or the Board. This is to reduce the prospect of legal being bypassed or being approached for legal advice at the last minute, as well as to ensure that legal advice is provided to decision-making bodies in every case that it is required to ensure a full appreciation of the risks.

Engagement of external firms and counsel

95. I have been asked to address any changes in the way POL obtains advice from external law firms and counsel, and the process by which POL ensures that appropriately qualified and experienced external lawyers advise in respect of the matters for which they are retained.

96. In June 2020, when I started working at POL, we engaged law firms through a panel process. POL's Legal Services Framework (the name for POL's panel of law firms) included Pinsent Masons, DAC Beachcroft, Ashfords, Womble Bond Dickinson, Linklaters and Norton Rose Fulbright. That framework agreement was initially due to end in March 2023. 5 of the 6 panel firms agreed to extend the framework until 20 September 2023.

97. At that time, the POL Legal Operating Charter set out how lawyers should instruct external firms. The BAU Legal members were familiar with this document, but my impression was that it was not well communicated or understood outside of BAU Legal.

98. Engagements of external firms and counsel were previously tracked via a system called Legal Tracker. These days we track all external solicitor and counsel engagements via Intapp.

99. When I joined, POL's Legal Operating Charter provided that only BAU Legal should engage external firms. However, compliance with this policy was not strict, and on occasion the business would instruct external legal firms directly. According to the Legal Operating Charter only those of Senior Legal Counsel status or higher had the authority to instruct external lawyers. Moreover, if the value of the expected legal spend was above a certain threshold, the relevant member of the GE (the predecessor body to the SEG) was required to sign off.

100. From an administrative and costs standpoint, the external firm would provide a fee estimate, and then POL would send a purchase order number and electronic service request form to the external counsel, who would complete the matter description, work plan, fee quote and contact information.

101. In late 2022, Ben Foat determined that BAU Legal should not renew the existing Legal Services Framework and instead move to the Crown Commercial Services ("**CCS**") frameworks, which allow public sector entities to buy external legal support quickly and easily at centrally negotiated rates and on centrally negotiated terms. The two CCS frameworks are known as RM6179 and RM6240 and together they give POL access to over 25 different firms. The frameworks allow for procurement of external legal support through a direct award process or mini competitions. An internal guide titled "Procuring External Legal Support" sets out the possible procurement options. However, the majority of external legal work will be procured via a BAU Contract (defined in paragraph 104) with a CCS framework firm (as set out in paragraph 103) or the direct award procedure (set out in paragraph 104). Other options include: using the CCS Framework Further Competition Procedure (where a matter cannot be dealt with under a BAU Contract, is not urgent and has a value above a certain threshold); or procuring outside of the CCS frameworks (where a matter cannot be dealt with by any CCS framework firm for any reason, for example due to specialism or previous experience).

102. I understand this change was predominantly driven by criticisms levelled at POL for incurring high external legal fees on the Inquiry and RU side. Mr Foat felt that POL would face less external criticism if contracting on government rates. The switch to the CCS frameworks occurred on 30 September 2023.

103. The Heads of Legal for each area have set up subject matter-specific "business as usual" contracts ("**BAU Contracts**"). These are the first port of call for any work required

within a particular subject area. Work can be drawn down against the overall contract value on a matter-by-matter basis using an electronic services request form ("eSRF"), which is populated by BAU Legal in conjunction with the relevant firm. The eSRF must specify the scope of work and the fee arrangement. The firm's hourly rates are fixed in their BAU Contract but they can offer a fixed or a capped fee, provided it would not amount to more than if the hourly rates were applied. The BAU Contracts allow for other firms with BAU Contracts to pick up 'overflow' work where, for example, the relevant firm is conflicted or does not have capacity. A member of the BAU Legal team monitors the spend against each BAU Contract and will notify the relevant Head of Legal if it looks like that estimated value will be exceeded. An extension or uplift would then be considered or a replacement contract put in place using the CCS Direct Award Procedure. To select the firms to be contracted for each subject matter, the Heads of Legal prepare a specification for the area, against which firm prospectuses are then reviewed and evaluated in order to determine the most appropriate firm. The selection of firms is the responsibility of the Heads of Legal.

104. The CCS Direct Award Procedure allows POL to swiftly put contracts in place where a requirement cannot be dealt with by way of a BAU Contract. The process entails:

- (a) a decision as to which of the two frameworks (identified above) will be used;
- (b) preparation of a specification setting out the particular legal services that are required and including an estimate;
- (c) conducting an evaluation involving a review of the prospectuses provided by each firm when they won their place on the CCS frameworks and allocating it a score with reference to the specification for that piece of work;

- (d) once the successful firm is identified, a call-off contract is drafted using a house template; and
- (e) the firm is then contacted and the contract executed.

Ensuring appropriate expertise and experience of external lawyers

105. I have been asked to explain the process by which POL ensures that appropriately qualified and experienced external lawyers advise in respect of the matters for which they are retained.

106. The expertise of external firms is considered by the Heads of Legal as part of the process of putting in place BAU Contracts by subject matter under the CCS framework.

107. I understand that, for firms providing advice in a range of areas, there are regular relationship meetings between a Head of Legal or Senior Legal Counsel and relevant partners from the firms engaged for the purpose of providing feedback to firms. Feedback is given in advance of these meetings, if necessary or to address performance issues. If firms are either lacking experience or do not provide good advice, POL will move the work to another firm.

108. When I joined POL, my view was that some sub-teams of BAU Legal overused external counsel. This tendency has reduced in the years since, as the quality of POL's in-house team has improved and there has been an increased focus on the appropriate use of external advisers, including requiring fee quotations and cost estimates, and tracking legal advice and knowledge so as to avoid POL potentially seeking the same advice multiple times.

109. On some occasions, POL will engage barristers directly. For example, public procurement is a highly specialised area of law and the direct engagement of KCs can be the most cost efficient route to obtaining expert legal advice.

Policy and process in relation to in-sourcing and out-sourcing of legal advice

110. I have been asked to describe the process by and extent to which legal functions are insourced and outsourced by POL.

111. POL seeks to only use external counsel where necessary. As such, the BAU Legal team will complete all legal work that is within their competence and capacity.

112. From a practical standpoint, requests for advice may come to the relevant Head of Legal from a member of the business directly, or may be delegated from the IGGC or the IGLD to the Head of Legal with expertise in the relevant area (see the explanation of areas of expertise at paragraph 27). The Head of Legal may then delegate that work within their own team.

113. The Heads of Legal with responsibility for the various areas of specialism within the BAU Legal team will usually take the decision as to whether an external firm is engaged, although this may also be decided by the IGLD or IGGC.

114. BAU Legal has a relatively small budget for external legal advice for this current financial year (2024/25). Each Head of Legal is allocated a portion of that budget based on projected spend. The allocation takes into account known items such as upcoming contract renewals and negotiations. It also makes assumptions on probable spend based, for example, on the likely number of employment tribunal or small claims expected, with reference to previous years. In addition, it contains an element for new 'in year' issues that are already on our radar. Separately, if legal advice is required for a project such as

significant litigation or a deal or transaction, this will be funded by the relevant business area following negotiation with the relevant business lead.

115. External firms are instructed in the following circumstances:

- (a) where the BAU Legal team does not have the relevant expertise (e.g. tax, property);
- (b) if there is a lack of capacity within BAU Legal;
- (c) as required by insurers (for example, where there has been a data breach);
- (d) the matter involves novel or untested legal issues;
- (e) where there is a large-scale matter requiring a large team, such as a significant piece of litigation;
- (f) where independence of legal advice must be demonstrated internally and/or externally;
- (g) where a Board member specifically requests external advice on a particular issue;
or
- (h) to obtain a second opinion if the issue in question has potentially serious legal, financial or reputational impacts.

Conduct of litigation and investigations

116. I have been asked to explain the extent to which, if any, there has been a change in how POL manages and oversees new litigation. I am aware that POL has been criticised for oppressive conduct, delay, and reluctance to produce documents in litigation in connection with the proceedings leading up to the Judgments and previous litigation against PMs.

117. Since I started at POL it has not pursued private prosecutions. My understanding is that POL has not undertaken private prosecutions against PMs using Horizon data since 2015 and has no intention of doing so again. The Cooperation with Law Enforcement Agencies Policy expressly states that POL will not conduct private prosecutions and that if any deviation from that policy is contemplated, the shareholder must be consulted and Board approval obtained. The decision to cease private prosecutions was made before I started work at POL. POL also does not currently undertake civil recoveries against PMs.

118. As explained at paragraphs 197 to 205 below, LCASR now includes a separate professional investigations team in the form of A&CI, which reports to me. In addition, POL has a lawyer specialising in criminal law and a dedicated Head of Legal for Dispute Resolution and Brand Protection. These changes have brought additional expertise to the team and ensure that litigation in which POL is involved is managed and overseen by experts.

119. POL has a litigation manual intended to guide lawyers through the process of litigation. This is primarily a procedural document, consisting of a detailed set of guidance covering matters including how to deal with the procedural steps in litigation, document retention and debt recovery.

120. The litigation manual was last reviewed and updated in September 2024. The review included, among other things, new sections on legal professional privilege and strategic lawsuits against public participation ("**SLAPPs**"), and updated the sections relating to litigation holds to refer to the holds register.

Training and guidance on litigation and investigations

121. All POL lawyers have also received training on ethics, privilege, SLAPPs and lawyers' ethical and regulatory obligations in order to ensure that everyone fully understands their

regulatory and ethical duties. In my view, the oversight of any litigation by competent and trained lawyers is an important and effective way to ensure any litigation is managed fairly and responsibly.

122. I address training of POL lawyers further at paragraph 186.

Reporting litigation and investigations to Board, SEG and stakeholders

123. I have been asked to address the process by which I inform the SEG, the Board, DBT and UKGI of developments in key litigation involving POL.

124. The first point to note is that within BAU Legal there are currently no major pieces of litigation involving POL. POL tracks all litigation using a litigation tracker which is updated on a monthly basis by the Head of Legal Dispute Resolution and Brand Protection and provided to the IGLD. If any litigation arises which is material (on the basis of potential reputational risk, potential financial exposure, or a member of SEG has been joined in proceedings), the IGLD would report it to the IGGC who would then report to SEG or the Board as necessary.

125. Where a member of BAU Legal is advising on a matter which involves a dispute that has the potential to become litigious, or involve a large financial settlement, this would be escalated to me as IGGC. Such matters would generally be the subject of a paper to SEG and the Board, which would usually be co-authored by the relevant business area and BAU Legal, or be accompanied by a separate legal risk note.

126. The Head of Legal Dispute Resolution and Brand Protection and I have been in dialogue with the Assistant Director, Head of Commercial at UKGI, Benjamin Kennedy, for some time regarding the provision of periodic reporting to DBT and UKGI on material contentious matters, and any themes POL is seeing in threatened or actual claims. POL and UKGI had agreed to first put in place a litigation protocol governing the provision of that

information in order to safeguard confidential and legally privileged material that may be shared. The protocol was submitted to UKGI for approval at the end of July. Once the protocol is agreed, POL plans to share bi-annual updates with DBT and UKGI on or around 1 September and 1 March each year. Reporting will be on pre-determined areas or otherwise subject to materiality thresholds.

Policy and process on document management and evidence preservation

127. I have been asked to set out POL's current document management protocols for obtaining, retaining and preserving material related to anticipated or current litigation or the Inquiry.

128. POL's document management protocol is in the process of being drafted. This protocol is intended to inform POL staff of current document holds in place and remind them that their obligations are ongoing. The process which is currently followed is to issue a document preservation notification, which sets out the expectations of the recipient. A notice would generally include the following:

- (a) an instruction not to delete any emails, or amend or destroy any documents which may relate to the subject matter in question, whether directly or indirectly;
- (b) a caution that POL may be required to disclose the documents in litigation;
- (c) a note that any queries must be addressed to the legal team;
- (d) an instruction not to obtain documents, or discuss the matter with any third party without first consulting the legal team;
- (e) an indication that the notice is supplemental to any previous notices issued; and
- (f) an explanation of the broad definition of "documents".

129. This topic is also dealt with briefly in the litigation manual, by reference to parties' obligations to retain documents as soon as litigation is contemplated under the Civil Procedure Rules.

130. POL has recently created a register of litigation holds to track current holds and when they are released.

131. Work is also in progress with respect to including information about document retention and litigation holds in the onboarding process for new joiners across the business.

E. OBSERVATIONS ON ORGANISATIONAL BEHAVIOUR AND CULTURE

132. I have been asked to comment on the current culture at SEG and Board level, identifying any key individuals who shape or influence that culture. The following two sections address culture in each of SEG and the Board.

Board

133. As I have only been IGGC since April 2024, I have not had significant dealings with the Board and have not yet attended a full Board meeting. It is therefore difficult for me to comment on the current culture at POL Board. My comments with respect to the Board are thus limited to my observations at one extraordinary meeting in August and my experience of the directors through individual meetings. Below I specifically mention the contribution of two Board members, Nigel Railton and Amanda Burton, with whom I have interacted the most, as well as the positive impact of having PM representatives on the Board.

134. Nigel Railton started as Interim Chair in around May 2024. He has been a very positive influence on the culture of POL. He is friendly and approachable and makes an effort to speak to a large number of people when he is in the office. He also actively listens, seems to want to understand all of the issues affecting the business, and is curious and raises

thoughtful questions in meetings. He is transparent and clear in his views. In my opinion, these are positive qualities that will enable him to stay close to the business and its operations. My observation from the extraordinary meeting he chaired was that he created a respectful environment where all were encouraged to speak and express their views. This allowed robust discussion and debate. At the end of the meeting, Mr Railton gave a clear indication of the direction of next steps.

135. Nigel Railton is also supportive of LCASR (including its current iterations) and I believe he understands its importance to the business. For example, he has been supportive of new developments such as my attendance at Board meetings, training for Board members on lawyers' duties of independence, and lawyers' access to Board minutes and the risk register. I described these developments in more detail at paragraphs 207 - 210 and 225 - 226.

136. Amanda Burton is the Board's Speak Up Champion, meaning that she oversees the integrity, independence and effectiveness of POL's Speak Up policy and procedures. Ms Burton also demonstrates her collegiate approach and willingness to share knowledge (for example by attending a BAU Legal meeting to share her experience and offer advice to the team). In circumstances where there is a conflict or particular sensitivity, Ms Burton is also involved in investigations arising out of Speak Up reports. Like the Interim Chair, Ms Burton is, in my opinion, a very capable individual who has a very positive influence on the culture at POL.

137. Two PMs were appointed to the Board as non-executive directors in 2021, Saf Ismail and Elliot Jacobs. They ensure that the PM view is represented at the Board, bringing diversity of thought and background. Their presence encourages transparency with PMs and enables better communication between PMs and POL. The PM non-executive directors have insight into PMs' views on POL and the Board through their experiences and contact

with PMs, and can raise these and discuss how they can be addressed directly with the Board.

SEG

138. I believe the current POL SEG culture is positive, with mutual respect encouraging collaborative and honest discussions. Where there is disagreement or difference of opinion, matters are discussed respectfully and with knowledge that we have common objectives. I believe there is universal agreement across the SEG about the importance of ensuring we act to:

- (a) compensate PMs quickly and fairly;
- (b) support the Inquiry to achieve its objectives through full cooperation;
- (c) continue to listen to PMs, learn from the past, and responsibly manage PM relationships; and
- (d) conduct a comprehensive Strategic Review of POL and implement the findings.

139. As Acting CEO, Owen Woodley was instrumental in shaping culture in the past few months. He had a decisive leadership style, while at the same time he ran collegiate and respectful meetings. In light of Mr Woodley's recent (planned) departure and other changes at SEG, I expect some time may be required to build trust with new members joining SEG in September, and for all members to establish working relationships and understand styles and ways of working.

140. The SEG has recently placed more focus on ensuring engagement, inclusion and diversity throughout POL as an organisation, thereby contributing positively to its culture.

141. POL runs an annual engagement survey of all employees conducted by Ipsos Karian and Box ("**Engagement Survey**"). The results of each Engagement Survey are communicated to and used by both BAU Legal and SEG to examine their culture and behaviours and identify areas for improvement. An engagement plan is produced at a corporate level, functional/business unit level and, in addition, senior leaders may have additional plans for their sub teams. We have such a BAU Legal plan. Following the 2024 Engagement Survey results which showed that disabled colleagues at POL felt less included, I volunteered to take on the role of executive sponsor to the plan to address this. Similarly, the Chief of Staff, has taken on the role of executive sponsor for engagement activities related to those people from ethnically diverse backgrounds feeling less confident about career progression within POL. The Chief of Staff and I help raise awareness in our respective areas of focus and ensure senior management is reminded to consider, in making decisions, the impact on disabled colleagues and people from ethnically diverse backgrounds, and that any issues particularly impacting those people can be raised with senior management efficiently.

142. The 2024 Engagement Survey results showed that most people in management and executive roles at POL are under a great deal of strain due to increased workloads and scrutiny. I have observed that this strain can, at times, negatively affect staff behaviours, such as leading to interpersonal conflicts. This inevitably has a detrimental impact on culture. That said, I believe that POL has a strong leadership team and I am optimistic that there will be a shift to a more long-term and sustainable focus on the culture and people at POL once the organisation returns to a steadier, 'business-as-usual' rhythm.

143. I believe there has been a lack of trust in POL's leadership during and following the events leading to this Inquiry. I do believe this is improving, with a more positive dynamic encouraged by a more approachable SEG and Board.

Board and SEG relationship with PMs

144. I have been asked to comment on the relationship between POL SEG and Board, and the PMs, including what has improved and what could be better. In my role I have limited knowledge of meetings between PMs and POL SEG/Board. I do not personally attend meetings with PMs (save as set out in the following paragraphs).

145. I believe, however, based on conversations with members of SEG and more widely within POL, that the relationship with PMs is improving. This is due to increased communication including through listening groups and regional forums, restorative justice meetings, and greater representation of PMs within POL. In addition, a listening group has been set up with each of the National Federation of Subpostmasters ("**NFSP**"), the Voice of the Postmaster organisation, Unite and the Communication Workers' Union ("**CWU**"). However, the 2024 Postmaster Survey showed a polarisation of views amongst respondents, and it is clear that not all PMs view the relationship as one of an equal and valued partner.

146. I am one of around 100 senior leaders within POL involved in a programme called Adopt an Area, whereby these senior leaders spend time with PMs several times a year. This provides PMs with the opportunity to speak with and ask questions of senior leadership at POL. It also ensures that senior leadership understand the day-to-day role of PMs and how a local post office operates.

147. I attended three branches in Hampshire in June with an area manager, which gave me a greater understanding of the challenges and successes that are part of running a

branch. For example, I learned about difficulties arising for a manager operating in a branch owned by a larger (retail) company PM (referred to as a "strategic partner"), as the manager was often sent temporary staff and had to train each one. I was able to speak with a temporary PM in the process of becoming a permanent PM and learned about that process from the PM perspective. The visits also gave PMs and managers the opportunity to ask me questions.

Remediation Unit restorative justice meetings

148. I am aware that POL's Remediation Unit has established restorative justice meetings to listen to the stories of those impacted by the Horizon scandal. I have not attended any of these meetings. That said, I am fully supportive of the concept. These touchpoints allow victims to raise concerns and allow POL to hear from them first hand, better understand their perspectives and importantly, to say sorry. I believe this has improved trust between victims and POL.

Oversight of PMs' experience

149. I am aware that, since 2021, POL has run an annual survey of PMs, and has historically held two national PM conferences. I am not directly involved in either the survey or the conferences but do get updates either via company-wide communications or leadership team briefings. I am therefore aware of some feedback POL receives from PMs as a result. I am aware from past surveys and the 2024 Postmaster Survey that remuneration and communication remain areas that PMs would like to see improved. I understand the relationship between PMs and POL is being considered as part of the Strategic Review and could potentially result in a change to the way PMs are compensated. POL is seeking to improve communications via a number of initiatives including those mentioned in paragraph 145.

150. Communications are an area for improvement; it keeps coming up in survey responses so POL is obviously not yet getting this quite right. I have heard anecdotally from head office colleagues that PMs would like to see more communications regarding the New Branch IT ("**NBIT**") system (the prospective Horizon replacement). POL has partially responded to this with a roadshow of the pilot of NBIT allowing PMs to try the system themselves. POL has also introduced a new initiative of PMs attending Ten@Ten (a short update from the POL CEO and other senior leaders on topical business matters) for the past few weeks to share their experiences with POL colleagues, whether positive, negative or constructive. Sharing experiences allows PMs to learn from each other and encourages PM to PM support, while ensuring POL employees are aware of PM experiences.

Relationship between Board/SEG and third parties

151. I have been asked to summarise my understanding and experience of the POL SEG and POL Board's relationship with key relevant external stakeholders. The following sections set out my understanding and experience of POL SEG and POL Board's relationship with each of the NFSP, CWU, Fujitsu, UKGI and the DBT.

NFSP

152. My experience in dealing with the NFSP is very limited. I have not been involved in any Board meetings discussing the NFSP, or at any SEG meetings where there has been any substantive discussion about the NFSP. In my previous role as GLD between 2020 and 2022 I had limited involvement in the renegotiation of the Grant Framework Agreement ("**GFA**"). Under the GFA, POL provides grant funding to the NFSP to enable it to support and represent PMs.

153. I understand that the Speak Up team have established a professional, positive and collaborative relationship with the NFSP. The NFSP has encouraged some of its members

to use the Speak Up reporting systems, to report any issues or concerns. I do not have the details of these referrals. This is a positive development as it suggests that trust in POL's Speak Up arrangements is improving amongst both the NFSP and PMs and they see it as a route by which they can raise concerns and be listened to.

CWU

154. I do not have any direct experience of dealing with CWU and do not have any detailed knowledge of SEG's or Board's relationship with CWU. I have been copied on a small number of emails regarding claims or issues raised by CWU and, based on that limited insight, I believe POL's approach to these issues has been to engage in constructive conversations and avoid disputes where possible.

Fujitsu

155. I have not had any direct contact with Fujitsu Services Limited ("**Fujitsu**"). I am unable to comment on the Board's relationship with Fujitsu as I have not had any discussions with individual Board members and have not attended Board meetings on the subject. Based on conversations with SEG, I believe that there is a good working relationship between SEG members, in particular Nick Read (then Owen Woodley in that role), Neil Brocklehurst and Chris Brocklesby, and Paul Patterson (CEO of Fujitsu). This constructive working relationship does not always flow through to open correspondence, where it is apparent that there has been some positioning in anticipation of that correspondence being disclosable and/or reaching the public domain. I have had discussions with members of SEG in connection with correspondence between POL and Fujitsu in around July 2024. In this correspondence, there were some challenges in aligning the respective positions of the two organisations in relation to provision of Horizon data to the police to support their investigations, where the police or the Crown Prosecution Service are, in some cases, investigating a PM. This was in part due to a misunderstanding by Fujitsu:

- (a) as to whether POL was pursuing private prosecutions (POL is not doing so and has not done so since 2015); and
- (b) regarding the nature of a request for Fujitsu to assist the police in its investigation with respect to a significant financial crime.

156. I believe, based on conversations with Mr Read, that POL proposed to Fujitsu that it might be helpful to the relationship if direct contact were to be established between Fujitsu's General Counsel and POL's Group General Counsel, but this has not eventuated as yet.

UKGI / DBT

157. I do not have any detailed knowledge about the Board's relationship with UKGI or DBT, except to observe that Lorna Gratton, the shareholder representative on the Board, provides helpful insight into the views of the government on various matters. Ms Gratton also attends ARC subcommittee meetings and provides helpful challenge at those meetings.

158. On occasion, I speak to Lucie Lambert, General Counsel & Compliance Officer of UKGI, in relation to material legal matters, and any matters which may become public. These are generally short conversations to update UKGI on the status of any material matters. We have a professional working relationship during such interactions, based on transparent communication.

159. I also understand that quarterly shareholder meetings are held with UKGI to discuss finance and other key areas with the CEO, CFO and some other SEG members as relevant to the topics being discussed. I am not a regular attendee at these meetings.

Further observations on POL culture

160. I have been asked to provide my reflections on the ways in which the culture has or has not changed following the findings of Fraser LJ and evidence in the Inquiry. In my view,

POL is on a journey: whilst the culture at POL has experienced some positive change over the years that I have been an employee, there is still some way to go.

General observations

161. Describing firstly the culture I observe today. I believe there is a lot of positive intent including:

- (a) POL has shown a willingness to reflect on what went wrong and the environment that existed at the time, and to educate its employees to ensure nothing like that can ever happen again;
- (b) POL has committed to being more open and transparent about issues (including with respect to bugs, errors and defects);
- (c) POL has put measures in place to make it easier and safer for colleagues to speak up and is also trying to listen to PMs more effectively;
- (d) it is a clearly stated aim of POL to be more PM-centric and put PMs at the heart of what we do;
- (e) POL continues to keep its existing processes under review;
- (f) POL has implemented an Ethical Decision-Making Framework (see paragraph 221), giving employees and PMs a route to challenge together with other tools such as the "Yes" Check (i.e. if the decision maker can answer "yes" to the questions in the framework, they may proceed);
- (g) POL launched new Behaviours in July 2024 which set the standard and expectations of culture at POL. The Behaviours are to be used as a foundation for processes relating to people and used throughout the colleague lifecycle:

recruitment, performance, development, and succession. The four new Behaviours are: "own the outcome", "back each other", "move it forward", and "be curious". "Be curious" recognises that in the past a lack of curiosity contributed to poor decision-making and encourages colleagues to ask questions if something does not seem right. This Behaviour is relevant to appraisals, meaning that this is more than simply a corporate goal; it is connected directly to performance, and staff will receive feedback on whether they are aligned with this Behaviour; and

- (h) POL is focusing more on culture with a new Culture Dashboard being presented to SEG every two months and the Board every six months.

162. I reflect that there is still some way to go on culture, notwithstanding the positive progress to date, in that there is still a lack of trust in senior management (here I mean the leadership team, a group of (currently) 23 senior leaders within POL which includes SEG)) by around 1/3 of employees (according to the 2024 Engagement Survey). I believe this in part to be attributable in the recent past to a failure to address poor behaviours and underperformance, as well as a reluctance to be responsible for decisions which may attract scrutiny and criticism. I believe that this will change now with clear expectations set in the new Behaviours, and a more decisive SEG. Other factors which were cited in the 2024 Engagement Survey which I believe impact on culture were: lack of strategy beyond 2025, strain on senior colleagues, poor colleague communications, slow decision making and uncertainty in accountability. The Engagement Survey also identified that further work is required in the equality, diversity and inclusion space: disabled colleagues felt less included, a number of senior women had received unwanted comments, and senior ethnic minority colleagues are finding it harder to progress their careers at POL. Plans are being developed to improve in areas of learning and awareness on psychological safety needs for disabled

colleagues, inclusive communications celebrating diversity and an inclusive onboarding strategy.

163. I have set out below my views on culture by reference to a number of criticisms arising from the findings from Fraser LJ and the Inquiry evidence.

Secrecy and confidentiality

164. I am aware of a number of measures which have been implemented in order to provide PMs with the ability to ask questions and engage with POL. POL has increased the number of area managers for PMs and introduced the following roles: Retail Engagement Director, Head of PM Engagement, two PM non-executive directors, and a PM Experience Director (who is a serving PM). These roles are designed to ensure that PM have open lines of communication to POL, can receive support, and that their interests are represented. POL channels most information to PMs through the Branch Hub online platform meaning it is easier for PMs to locate information. Bugs or errors with the Horizon system are posted there. I have also referred to communication with PMs at paragraphs 145 to 150.

Lack of feedback mechanism for PMs

165. In addition to the steps identified above at 164, POL now collects PM feedback from a variety of sources (e.g. complaints, area management reports, and NFSP feedback), and feedback into POL from PMs occurs through the same communication channels as identified at 145 to 150.

Enforcement of legal rights

166. During my time as GLD I was involved in introducing a Group Litigation Order Awareness Module for all employees and new starters. A refresher course was released in 2023, and in 2024 it was replaced by Scandal Training. The Group Litigation Order Awareness Module dealt with the following:

- (a) POL must deal with any disputed shortfall, discrepancy or transaction corrections by carrying out an investigation into all possible causes of the apparent losses in a fair and transparent manner. POL must support PMs to resolve the issue, and provide an opportunity to make representations and provide evidence;
- (b) POL must provide training and support for PMs on an ongoing basis, and be receptive to PM needs;
- (c) POL must act fairly and consistently in managing contracts, and communicate with PMs in an open and transparent manner, giving the PM the opportunity to ask questions and provide feedback to POL; and
- (d) the findings in the Judgments regarding POL's duty to act in good faith should be at the forefront of all employee's minds when dealing with PMs.

167. POL introduced a New Proposal Checklist to be completed when introducing any new product or service to be sold at a post office. The purpose of the checklist was to ensure that the issues identified in the Judgments are taken into account when introducing the new product or service. The checklist was drafted by the then Head of Legal – Retail, Zoe Brauer, with input from me (in my role as GLD) and Ben Foat. To give a flavour of the checklist, for the topic of good faith, the checklist assesses whether the proposal will benefit all PMs equally, or if any negative impacts, or differences in impact on different PMs would be considered commercially acceptable in the relevant context by a reasonable and honest person, taking into account PM and POL perspectives. Other topics covered in the checklist include POL's conduct and decision-making, training and support, variation of contract terms by POL, consultation, new contracts and contract variation by agreement, termination, recording transactions on Horizon, implementing Horizon and communication with PMs.

168. POL has introduced 12 support policies relevant to PMs, all accessible on the Hub (POL's intranet page), for example a Contract Suspension Policy, Contract Termination Policy, Account Support Policy, as well as a Guide to Policies and Postmaster Support Guide. The Postmaster Support Guide sets out the responsibilities of each of POL and PMs, and directs PMs to appropriate avenues for raising queries or disputes, as well as cross references to other policies. These policies set the standards POL staff are expected to follow, ensuring PMs are treated transparently and professionally and that decisions are not made arbitrarily, capriciously or unreasonably. Staff carrying out decision-making under these policies are instructed to consider all available options and to make PMs involved aware of the support available to them. For legal staff, the litigation manual and regular training ensures they are aware of their regulatory and ethical obligations. POL has also implemented an Ethical Decision-Making Framework enshrined in the Code of Business Conduct.

169. PMs have access to an online platform called Branch Hub which reports all bugs in the Horizon system and call centre staff have been retrained. In May-July 2021, training titled "Service Mindset training" was delivered to all frontline advisors including Branch Support Centre, IT Digital Service Desk and Cash management. The focus of this training was customer service and improving the experience of PMs and branch staff.

Oversight over investigations (and lessons learned/feedback loop)

170. The Speak Up channel allows an additional and clear line of communication from PMs to the Speak Up and A&CI teams. These teams consider all Speak Ups and will identify and escalate any patterns they observe.

171. One of the key issues identified in the Judgments was patterns in bugs and other issues arising from PM reports were not identified or not acted on. A central reporting line for

reports through Speak Up, and internal reporting of investigations increases the likelihood that repeat issues and patterns will be realised and acted upon.

Culture of curiosity

172. POL's new Behaviours extend to all employees and the "be curious" Behaviour has a particular relevance to the conduct of investigations. A&CI also aims to conduct investigations which are evidence based, fair and transparent, and includes giving real consideration to possible explanations outside the working theory. There is no presumption of breach or guilt.

Board receipt and consideration of legal advice and adequate understanding of legal duties

173. I believe that inclusion of the IGGC at Board meetings, as explained in paragraphs 207 and 208, will either directly address or provide a mechanism for addressing this concern. The flow of information to the Board is also being addressed by a substantial review of SEG subcommittees (see paragraph 62). Lawyers and the wider POL leadership team have received training on lawyers' ethical and regulatory duties and a paper will be taken to the September Board (see paragraph 228).

Steps I have taken to influence and implement cultural change within POL Legal, SEG, Board and the wider organisation

174. I have been asked to explain steps I have personally taken to influence and implement cultural change at POL.

175. Personally, I have taken the following steps to influence culture at POL:

- (a) I explain in detail below at paragraphs 215 to 223 the development of the Ethics and Ethos programme, which included ethics training for lawyers, an Ethical Decision-Making Framework and a revision to the Code of Business Standards. I believe there is increased awareness at POL of the duties owed by lawyers beyond

their duties to the client, and lawyers are encouraged to discuss and seek help from others within the team who may have greater experience or expertise in a particular area.

- (b) My own values of integrity, respect, inclusivity and responsibility are absolutely central to my professional responsibilities as a solicitor and, my personal ethics and values and therefore how I fulfil my leadership role as IGGC. I strongly believe in leadership by example. I therefore expect all of my BAU Legal team to act ethically and with integrity, in conformance with their Solicitors Regulation Authority ("SRA") duties, and consistently with their own ethics in everything they do in their roles. I encourage my team to utilise the insight into various aspects of the company afforded to them as part of their individual roles to identify patterns and raise concerns. BAU Legal is well placed to identify risks and patterns across the business and to constructively challenge issues as they arise. I expect the legal function as a whole to embrace diversity as differing experiences and backgrounds lead to better decision making. The Heads of Legal are each technically very capable in their relevant areas and I trust them to take responsibility in their roles, and escalate issues as necessary. I believe that POL legal staff share my goal of improving POL; leaving it better than we found it.
- (c) I have encouraged the development and promotion of internal talent within BAU Legal. Promoting from within, and hiring trainees who continue working at POL after qualification, encourages retention and allows for the development of a better understanding of POL and its history and challenges. Almost a third of current BAU Legal staff have been promoted from a previous role within the BAU Legal team. I believe the availability of promotion, including promotion earlier than may occur

elsewhere, drives retention and discretionary effort, being a significant reward for staff who show passion, the right behaviours, and have the technical skills. Hiring trainees also enables the development of senior lawyers who supervise and train juniors and, through delegation, provides senior lawyers with capacity to focus on strategic issues.

- (d) When I was GLD I introduced a "huddle" session which is open to all lawyers (including BAU Legal, RU Legal and Inquiry Legal) and A&CI, and is used primarily for knowledge sharing, ensuring all legal staff are informed of developments in practice areas beyond their immediate teams and areas of focus.
- (e) The training programme introduced as part of the "People" pillar of the Group Legal Strategy includes training for qualified lawyers and additional training for trainees and paralegals. Training shows that POL is committed to assisting lawyers to develop their careers, ensures they feel confident in having the ability to do their job, and can directly influence culture on particular topics, such as ethics, regulatory duties, SLAPPs and legal professional privilege. It also ensures lawyers stay up to date on legal changes so they can give accurate advice, deepen their expertise, and helps identify areas of risk arising from trends or other legal developments.
- (f) I seek to be visible and available for the wider team. I am being as generous with my time as my capacity allows, as I believe this helps with retention of staff, with their understanding of their duties and responsibilities, and with the provision of high quality legal advice. I generally speak to the Heads of Legal at least once a week, and speak with the IGLD multiple times a week, to provide support, enable them to escalate any issues as they arise, and maintain connection.

- (g) When filling vacant legal roles, candidates are interviewed by a cross section of colleagues from different areas within POL, including the legal and business functions. By having a mix of age, experience and background, the aim is to remove any unconscious biases.
- (h) I have sought to raise the business's awareness of the qualities, capabilities and value of the legal function, by hosting meetings between BAU Legal and another team, jointly-led by the SEG member responsible for the team, and me. I consider this visibility to be very important: the more aware a person or team is of BAU Legal's capabilities and value, the more likely they are to include appropriate legal staff at an early stage when an issue presenting legal risk arises. Familiarity with the individual members of the BAU Legal team builds trust with business colleagues and my objective is that the business sees BAU Legal as a business partner and an enabler, rather than a blocker to progress and decision-making.
- (i) As noted at paragraph 141 above, I am the executive sponsor of the disability engagement plan, working to help inclusion of colleagues with disabilities in the workplace. Planned focus areas include psychological safety training, and improvements to the onboarding experience of and communications with and about disabled colleagues. My participation contributes positively to an inclusive culture at POL.
- (j) We have instigated a buddy system for new joiners in BAU Legal, to provide an initial and ongoing contact person for each new joiner. In my view this system aids retention of staff and helps them settle into a team sooner. They have a contact person to ask any questions of, and that person will often be a key point of support throughout their career.

- (k) I have also made changes to my role, and the legal function, as referred to at paragraphs 184 - 191, 197 - 205, 207 - 223 and introduced Group Litigation Order Awareness training, as referred to at paragraph 166.

Self-evaluation of culture by Legal, executive and Board, and how issues are addressed

176. I have been asked to address how I personally, the POL legal function, the POL executive and the POL Board evaluate our/their own culture, and address any issues arising.

177. Starting with me personally, POL has a 360-degree feedback programme which I voluntarily undertook as part of a pilot in May 2023, and then repeated in November 2023. I also frequently seek informal feedback from my team and my peers, and act on suggestions. For example, a relatively new administrative member of staff gave me feedback that they did not feel they could successfully do their job as they were not clear on my expectations. I am providing greater feedback to them with examples as to what is working well, together with examples of where they have not met expectations. This has improved efficiency and their experience at work. In my view, seeking feedback is the most effective way that I can identify and understand issues in my own behaviour and approach of which I may not be aware, and make changes to address any issues.

178. Engagement meetings are held in BAU Legal without me, the IGLD or Heads of Legal in attendance so that more junior members of staff can raise any concerns or suggestions if they are not comfortable doing so directly with their line manager or a more senior member of staff.

179. I continuously address and aim to improve culture within BAU Legal by calling out behaviour which falls short of expected standards and addressing any disagreements which may arise between staff.

180. The new Behaviours recently launched guide SEG's culture and conduct (see paragraph 161(g)).

181. I am aware that the Board runs a "Board effectiveness review", often administered by an external provider. Most recently, the review was conducted by Grant Thornton. As part of the review process, I understand that the service provider surveyed Board members, the Company Secretary and SEG. I have seen a copy of the final report and in my view, it identified a number of issues the Board can address in order to improve its culture. I have discussed governance issues aligning with aspects of the Grant Thornton report in part D of my statement.

F. IMPLEMENTATION OF OPERATIONAL CHANGES DRIVEN BY LEGAL

Governance and legal leadership changes introduced since my appointment as Interim Group General Counsel

182. I have been asked to set out changes in respect of my duties and areas of responsibility since the findings of Fraser LJ and evidence heard in the Inquiry, and my role in proposing and/or implementing these changes.

183. In paragraphs 11 to 21 above, I have described my role, duties and areas of responsibility, including the changes arising from my move from GLD to IGGC. In the following section I set out details of the very substantial number of changes made in the period since the Judgments and following the evidence heard in the Inquiry, to the extent not already explained above. I also set out details of changes made in the period since the Judgments, including following the evidence that has been heard in the Inquiry, and I explain the role I played in proposing and/or implementing these changes. They include: the introduction of the IDG; the establishment of a new assurance and complex investigations team; attendance by the IGGC at Board meetings; the development and launch of a new

BAU Legal strategy; the delivery of training on legal professional privilege for lawyers and the business; the roll-out of a workstream relating to ethics; and a Group Legal Policy.

Creation and implementation of new BAU Legal strategy

184. On 15 February 2024, while in the role of GLD, I launched a new BAU Legal strategy.

185. The new strategy is not a direct response to the Judgments or the Inquiry. However, improving culture and practices across legal will ensure issues identified in the Judgments and evidence heard by the Inquiry are not repeated. These issues include exaggerated claims of legal professional privilege, inadequate responses to Freedom of Information Act requests, lawyers' professional duties, and aggressive conduct in litigation. The new strategy includes three pillars: "People", "Value" and "Brand". Two Heads of Legal have been assigned to oversee each pillar. The IGLD is now responsible for implementing this strategy. I set out below some further information on each of the pillars.

The "People" pillar

186. The following improvements to internal legal training and professional development have been made as part of the "People" pillar:

- (a) We have reorganised the internal legal training programme. Although BAU Legal did of course have a training programme before this change, it was insufficiently focused, in my view, on the areas in which the team needed to upskill in order to meet business needs (as opposed to areas in which the lawyers were most interested in). The new programme is centrally recorded, allowing sessions to be planned with reference to topics addressed in the past. Topics addressed in training are designed to address the needs of the business; either topical issues, or refreshers on core topics. By recording training sessions and having them available

online, lawyers can be responsible for their own professional development, allowing them to address any areas for improvement more easily.

- (b) We have delivered separate training for paralegals and trainees to assist with development of core legal skills including legal privilege, the role of in-house legal counsel, document production, responding to Freedom of Information requests, attending court, and drafting and using non-disclosure agreements. This ensures juniors have a good grounding and knowledge in all essential areas and allows juniors to ask questions of each other.
- (c) All lawyers are now offered a "growth hour" on a Friday each week to be used for their professional development. The purpose of this is to encourage lawyers to take time for their professional development. However, at present, I am aware that use of this option is limited. I believe this is due to competing workloads.
- (d) In July 2024, POL lawyers attended mandatory training on SLAPPs, provided by an external law firm. SLAPPs have been identified as an area of focus for POL lawyers, given that the conduct of those acting for POL, particularly in connection with the issues being considered by this Inquiry, has been characterised as threatening or oppressive in the CIJ. In my view, it is important that POL lawyers conduct litigation responsibly, and in full compliance with their ethical duties.

The "Value" pillar

187. The "Value" pillar focuses on steps BAU Legal can take to develop the business, such as through training on legal professional privilege or the Articles of Association.

The "Brand" pillar

188. The "Brand" pillar focuses on the ways that BAU Legal interacts with the rest of POL's business; the process by which BAU Legal is instructed, house styles and knowledge by the business of BAU Legal.

Group Legal Policy

189. The Group Legal Policy sets out the minimum operating standards relating to the management of legal and regulatory risks and clarifies the roles and responsibilities throughout the Group. To the best of my recollection, the policy was initially drafted by Ben Foat in 2016. I have been involved in subsequent updates to it and a substantial rewrite occurring from late 2023 to early 2024.

190. The Group Legal Policy sets out the respective responsibilities of BAU Legal, Inquiry Legal and RU Legal, the legal professional standards that the in-house legal teams must adhere to, and the legislation and regulations for which each member of the SEG is accountable for compliance.

191. Each member of the SEG has also recently been provided with a summary (as an annexure to the Group Legal Policy) of the legislation and regulation for which they are accountable and has been offered a session with a member of BAU Legal to refresh their knowledge.

Monitoring of Inquiry evidence

192. As I explained at paragraph 15 above, since April 2024, and at my request, members of the BAU Legal have been monitoring and tracking key themes arising from the evidence provided during Phase 5/6 of the Inquiry. As a result of this process, the following themes have been identified:

- (a) a lack of consistent and effective communication between POL's legal function and the Board, including that the Board should be provided with full copies of advice from internal or external legal advisors, and that legal advice should be presented to the Board by a lawyer;
- (b) a need to improve the understanding within POL of lawyers' regulatory duties;
- (c) POL's lawyers should have sufficient expertise in areas on which they provide advice;
- (d) POL should encourage staff at all levels to challenge as and when they see potential issues arise, be wary of overly directive management styles, and encourage management that welcomes and encourages challenge. Lawyers should assist in providing this challenge:
- (e) legal advice should be clear and direct, identifying all relevant risks and consequences of contemplated or existing actions; and
- (f) the in-house legal team should not pass full responsibility to external legal advisors and should retain oversight and should provide input which includes insight gained from corporate knowledge.

193. It will continue to be the responsibility of me and my colleagues in LCASR to address these themes in order to improve how we operate within POL.

Establishment of Improvement Development Group ("IDG")

194. The IDG was created to address the institutional changes required in response to the Judgments. The work of IDG was structured across four main areas: Technology Operations, Network Operations, Enterprise Culture and Enterprise Governance. The

responsibilities of the IDG were described in its terms of reference as follows: (i) scoping and prioritisation, to identify targets and benchmarks for each of the areas of work; (ii) delivery oversight and support, to track performance and manage risks to achieve sustained conformance against the Judgments; and (iii) validation and closure, including to ensure continuous improvement mechanisms are in place.

195. A later iteration of IDG, known as IDG2.0, was formed on 5 April 2023. Mr Foat was named as a member of IDG 2.0 in its Terms of Reference. I was initially involved in IDG2.0 from August 2023 to February 2024 along with John Bartlett, to lead the workstream on Speak Up and Investigations. In August 2023 I became a non-voting member of IDG 2.0 after Mr Foat delegated his seat to me and Anshu Mathur (then Group Assurance Director, now Group Director of Assurance and Risk). IDG 2.0 consolidated the work conducted under IDG, including by carrying out a review of activities undertaken to date and gap analysis, and was structured across the same four areas of work as the IDG. Within those areas, members of IDG 2.0 were allocated responsibilities for workstreams as follows:

- (a) Tracy Marshall, Network Development Director, was responsible for onboarding, training, suspensions, terminations and PM culture;
- (b) I, with John Bartlett, was responsible for Speak Up (whistleblowing) and investigations;
- (c) Peter Marsh, Head of Digital Marketing, was responsible for branch assurance;
- (d) Mel Park, Central Operations Director, Retail, was responsible for shortfalls, loss recovery, and transaction disputes;
- (e) Russell Hancock, National Operations Manager, was responsible for security;

- (f) Zdravko Mladenov, Group Chief Digital & Information Officer, was responsible for data;
- (g) Simon Oldnall, Branch Technology Director, was responsible for overseeing and reporting to the IDG on POL's remediation in response to the findings in the HIJ; and
- (h) Tim Perkins, People Services Director, was responsible for culture.

196. Although the Judgments did not specifically address whistleblowing, Fraser LJ did criticise i) POL's culture of secrecy and excessive confidentiality and ii) decisions taken at the highest level not to investigate certain matters. IDG 2.0 recognised that there were no specific actions which, if taken, would guarantee conformance with the Judgments. However, an independent and confidential whistleblowing service would encourage a culture of Speak Up. Following an IDG2.0 meeting in around April 2023 which focused on Speak Up, the Speak Up team finalised a two-year strategy which took into account the output received from the EY external benchmark (see paragraph 254(o)). The strategy aimed to actively promote Speak Up, including raising awareness amongst staff and PMs on how to raise a concern, and promoting psychological safety by ensuring reporters understand their concerns will be taken seriously and investigated, their details will be kept confidential and that no detriment will be suffered as a result of reporting a concern. The two-year strategy focuses on:

- (a) increasing *awareness* of Speak Up amongst both staff and PMs: all new starters are made aware of the Speak Up function and there is an ongoing communications plan which utilises POL's colleague networks, NFSP, PM groups, and easily accessible information on the POL intranet page and Branch Hub;

- (b) improving *confidence* in Speak Up: increased visibility of statistics and themes via information on the intranet, concerns dealt with confidentially and promptly, the reporter of a Speak Up is kept informed, consultation occurs with colleague and PM groups as part of an annual review of the Speak Up policy and strategy, feedback is provided on the outcome of a report, and reporters have the opportunity to provide feedback on the Speak Up process; and
- (c) training and support: annual training and the provision of support on good Speak Up leadership behaviours for all leaders and managers, including training on the importance of listening to and responding positively to concerns.

Establishment of a specialised complex investigations unit

197. I consider the existence of a competent complex investigations function to be an essential element of good governance and corporate practice in any substantial organisation. Upon my appointment to the role, I observed that investigations at POL were previously dealt with on an *ad hoc* basis. POL had been criticised in the way that it handled investigations by the Court of Appeal Criminal Division and in the Judgments and the Group Litigation Order. The establishment of POL's specialised complex investigations unit, which is now named Assurance and Complex Investigations, was therefore a priority for me.

198. Approximately six to nine months after I started at POL, I was asked to opine on whether, following investigation, a matter should be reported to the police. I concluded that the investigation in question was not conducted to a sufficiently high standard. The investigation arose from a Speak Up report, and appeared to corroborate that mail fraud was taking place. After reviewing the investigation documents, I formed the view that the involvement of multiple teams within POL had resulted in delays, as the investigation was

handed between teams, and there had been a lack of clarity in responsibility for decision-making and accountability.

199. On 5 May 2021, I presented a paper to the GE requesting funding for external support in conducting a review of POL investigations. This paper is headed 'Post Office Investigations Review' [POL00458050]. In this paper I identified that, while POL no longer conducts private prosecutions, it still carries out internal investigations and provides information to law enforcement agencies that may contribute to a prosecution. I outlined my view that POL must assure itself that:

"supporting processes have suitably evolved to ensure similar failings [by reference to criminal convictions being found unsafe and overturned] cannot repeat themselves in the future".

200. My funding request was granted and KPMG was engaged to conduct a review of the then current investigations process and propose a new model for investigations at POL representing best practice and addressing identified issues. I asked KPMG to consider POL's prevailing investigation process and asked them to assess whether those investigating were adequately trained, our policies and procedures were appropriate, and proper governance structures were in place.

201. Based on KPMG's report, I presented a paper to the GE on 15 September 2021, requesting permission to create the CIU. This paper is headed 'Post Office Investigations: KPMG Review Findings' [POL00458051]. As I stated in my report, my view at the time was that:

"the introduction of a CIU will also ensure investigations are properly planned, resourced and executed, with lessons learned fed back into the business. At present

investigations are not conducted consistently across PO, with differing levels of expertise, oversight reporting and quality assurance. Where investigations touch multiple teams, accountabilities are confused and lessons learned are rarely fed back into the business or acted upon".

202. The *ad hoc* nature of the investigations practice prior to these changes increased the risk of repeated patterns, as key themes arising from investigations were not (as far as I am aware) shared and used to improve future performance. The CIU, as proposed in my 15 September 2021 paper, would comprise a Head of CIU, whistleblowing manager, analyst, two investigations managers and two investigators. I hired John Bartlett in February 2022 to head the CIU and he remains in that role (albeit now with the title 'Director of A&CI'). Prior to July 2024, A&CI reported to the GLD, including during my time in that role. Mr Bartlett now reports to me as IGGC.

203. In a further effort to improve the investigations process at POL, John and I presented another paper to the GE in April 2022 entitled "Post Office Investigations Next Steps". The objective of this paper was to determine the methodology for categorisation of high-risk investigations to be conducted by CIU, and to approve the appointment of a Board Investigations Champion. The GE approved this request.

204. The Board Investigations Champion is currently Andrew Darfoor. The role of the Investigations Champion is to provide Board level insight to A&CI, to advise on approaches, methodologies, nuance, and presentation of investigations and findings, to advocate to the Board on behalf of A&CI and to provide oversight and be an escalation channel if and when other senior staff are conflicted. This role provides a direct connection between A&CI and the Board, allowing for ease of escalation and Board oversight of investigation activities. This role addresses the criticism in evidence before the Inquiry that the Board was previously not

aware of the operations of the investigation function, how investigations were done and the themes arising.

205. As a result of my intervention and the work I led, as described above, complex investigations at POL are now handled by A&CI; a central, professional, trained and highly effective investigations team. Investigative activity undertaken by other teams, for example the Contracts Team, Dispute Resolution Team, Network Support and Resolution Team or the Branch Reconciliation Team, must be conducted in accordance with the Group Investigations Policy and by utilising the Investigator's Manual. This ensures that all investigative activity is conducted to the standards set out in those documents. A&CI provides assurance over investigative work conducted by other teams by reviewing a sample of cases and providing guidance and/or recommendations. Group Assurance similarly reviews a sample of A&CI's cases.

Oversight of Compliance, Assurance and Risk moved from IGGC to Interim CFO

206. In paragraph 66 above I outlined the principles of the "three lines of defence" model of governance and risk management. In POL, the third line of defence is undertaken by Internal Audit. Compliance, Risk, Assurance and Legal are the second line. The role of the third line of defence is to provide independent and objective assurance on the adequacy and effectiveness of risk management and internal controls, including assuring the effectiveness of the first and second lines, advising on how to make improvements and report to ARC. Given that description, the independence of the third line from the first and second is an important ingredient in the effective operation of this governance and risk management structure. Recognising this, the established governance model at POL (prior to 2 September 2024) saw reporting lines for the first and second line of defence being distinct from the third. However, from 2 September 2024, Compliance, Assurance and Risk moved out of LCASR to be under the oversight of the Interim CFO. The Interim CFO (or her delegate) also took

over the responsibility of chairing the RCC with effect from October 2024. This change has the effect of combining reporting for the second and third line of defence under a single functional manager. In my opinion having separate reporting lines with clearly delineated activities would be optimal. I shared my views on this with the Interim Chair of the Board and the CEO prior to the move. However, my understanding is that the Institute of Internal Auditors Global Internal Audit Standards Code affords some flexibility in application of the principles, and it is open to POL to consider procedural requirements of the Code in light of the company's size, risk profile and internal organisation and the nature, scope and complexity of its operations. As such, provided the Director of Internal Audit does not believe the new structure compromises his independence, and Internal Audit continues to have a direct line to the ARC Chair, I think the position is manageable.

IGGC attendance at Board meetings

207. As of September this year, the IGGC is a regular attendee at POL's Board meetings.

208. On 23 July 2024, POL's Interim Chair, Nigel Railton, agreed to my written request that we make this change. I considered this to be important as it will ensure that as IGGC I will have sufficient opportunity to be aware of the material risks and decisions being considered at a Board level, and to advise on those as and when they arise. The IGGC will also be able to understand the context behind Board decisions and the Board's risk appetite, leading to the provision of better-informed legal advice. The change will also ensure that the Board is provided with comprehensive legal advice and that it will have the opportunity to ask questions of the IGGC about that advice. Based on my experience at other companies, and discussions with colleagues who have worked in other companies, it is common for the general counsel to attend Board meetings. Attendance at meetings also aids the development of a strong working relationship between the IGGC and Board members. This relationship is important so that executive and non-executive Board members are

comfortable raising any issues that may arise and to seek advice on these, including outside of meetings.

Length of legal advice in Board packs

209. I have also taken steps to ensure that the legal advice the Board receives is sufficiently detailed and comprehensive.

210. Papers are prepared and distributed to the Board or committees in advance of a meeting to allow members time to read and consider the content. During the meeting, the Board or committee will then note, discuss or approve the matters set out in the paper. Generally, a paper will include an executive summary setting out the importance of the proposal, detail of the proposal, financial impact, risk assessment and mitigation and legal implications. Topics of Board and committee papers vary and can include subcommittee reports, finance updates, survey results, culture dashboard reports, details of significant contracts. At the request of the Interim Chair, POL's Company Secretary (Rachel Scarrabelotti) is implementing limits on the length of board papers to around 2 pages for noting reports, 4 pages for most papers, and 6 pages for CFO reports, in order to focus the Board's time on the most material issues which require their input, rather than on a lot of operational detail. However, in response to this, I highlighted the criticism arising from evidence the Inquiry has heard from Paula Vennells that, in the past, the Board was not provided with comprehensive legal advice. As a result, an exemption has been agreed that legal advice does not need to be abridged to fit within the maximum board paper length and a link to the full legal risk note or full legal advice will be included in the paper. The Company Secretary is also involved in implementing the changes referred to at paragraphs 225 and 226, to allow legal oversight of papers, minutes and risk reports for SEG and Board meetings.

Legal professional privilege training

211. We have taken steps to address the criticisms made by Fraser LJ relating to POL asserting legal privilege where it did not apply.

212. In particular, on 15 August 2023, the Head of Legal, Data Protection and FOI Law, GRO delivered a training session on legal professional privilege for the wider leadership team, which is made up primarily of individuals who are not lawyers. The objective of this training was to raise awareness and understanding of legal professional privilege, and to dispel myths.

213. While claims of privilege will always be made by lawyers rather than by the business, a better understanding of the purpose and application of privilege by those involved in seeking and receiving legal advice should result in, for example, fewer non-privileged documents being labelled as "privileged", and ensure accurate claims if documents must later be produced.

214. In addition to this recent training session, training presentations and notes on legal professional privilege have been delivered to Legal staff around twice a year since I started at POL, including refresher sessions and introductions for junior lawyers.

Ethics workstreams

215. I have been involved in various initiatives at POL to ensure that our lawyers and decision makers conduct themselves ethically.

216. I implemented a workstream, which included training, a decision-making framework, and a review of the current culture of ethics at POL. The ethics workstreams outlined below are designed to develop and empower personal accountability in POL staff, to ensure that decision making is ethical, and staff are comfortable identifying and raising practices that

may be unethical. These efforts seek to address issues raised in the Judgments relating to capricious or unfair decision-making with respect to PMs, for example decisions to prosecute or pursue civil recovery of shortfalls.

217. The Ethical Decision-Making Framework is widely publicised and included with all packs for the ISC and, at my request, will be added to all SEG committee packs from the end of August 2024.

218. On or around October 2021, while I was GLD, I initiated training for the BAU Legal team on their ethical obligations pursuant to the SRA standards and regulations. In or around March 2022, I, along with the majority of POL lawyers, attended a round-table session on ethics for in-house lawyers hosted by the Law Society. By around June 2022, based on the usefulness of the material in the Law Society's session, I had formed the view that a mandatory programme of training sessions run on a rolling basis (as opposed to one-off optional sessions) would benefit the legal team. I implemented a mandatory ethics training programme for all POL lawyers. The sessions were run by a combination of in-house and external lawyers. This training programme is ongoing, and the next session is scheduled for autumn this year.

219. As well as training the BAU Legal team in ethics, in around June 2022, I suggested to Mr Foat that POL engage the Institute of Business Ethics to perform a review and audit of POL's ethical state of maturity. As far as I was aware, at the time there was no dedicated ethics programme at POL. The engagement was funded by the Inquiry Programmes budget (meaning GE approval was not required for the engagement) and I prepared a paper that was sponsored by Mr Foat which was put to GE in around September of 2022, noting the engagement of the Institute of Business Ethics.

220. The scope of work agreed with the Institute of Business Ethics consisted of three phases, as follows:

- (a) Phase (1) comprised a review of the results of POL's Engagement Survey results, the Code of Business Standards and related policies, Conflicts of Interest Policy, Recruitment and Onboarding Policy, Everybody's Conversations (performance management), Temporary Promotions and Secondment Policy, to benchmark against other companies; discussions with focus groups of each of POL head office employees, PMs and the NFSP, and directly managed branches and the supply chain, to understand the culture of ethics at POL; and the production of a short report with recommendations for improvement of POL's training and communication of the relevant policies;
- (b) Phase (2) comprised holding workshops with the POL SEG and Board focusing on ethical leadership; and
- (c) Phase (3) consisted of an ethical risk assessment, as well as the creation and delivery of a bespoke ethics programme for POL, which considered how ethical issues are reported, and the use of ethics ambassadors.

221. In connection with this work, a revised Code of Business Standards and a new Ethical Decision-Making Framework were produced in around January 2023. The Ethical Decision-Making Framework is a diagram to aid decision-making by employees. It encourages employees to consider, in connection with a decision, whether they have actively demonstrated POL Behaviours, whether the decision is legal, whether the employee is acting with integrity, fairness and thinking inclusively, whether the employee has sought out, listened to and taken different perspectives into account, and whether they would be happy to explain the decision to the relevant stakeholders (i.e. colleagues, PMs, customers and

communities). If the answer to any of those questions is "no", the employee is to pause and seek guidance from their line manager or another appropriate person such as central risk, legal, compliance, company secretariat or the relevant People partner. Employees are also encouraged to report decisions which do not follow the model to their line manager, another appropriate person, or through Speak Up.

222. Focus Groups to discuss ethics at POL were held in February 2023 with head office employees, PMs and supply chain stakeholders. The Institute of Business Ethics also held separate sessions with the unions, Unite and the CWU, to gather their feedback, and produced a report considering feedback from all stakeholders in March 2023. Finally, the Institute of Business Ethics held a session with the GE in October 2023 to update GE on the work that had been completed, and outline areas for consideration. These included the possible implementation of a number of changes, including nominating a Board Director responsible for ethics, a regular report to the Board from that Director on matters relating to ethics, setting up an ethics dashboard, with ethics indicators to track ethical issues and improvements within POL, and the establishment of an ethics risk register, that would be regularly reported to Board. The Institute of Business Ethics suggested amongst other things making broader use of the Ethical Decision-Making Framework as a tool to help people with ethical dilemmas, a communications plan to engage people on the purpose, values and ethics, and ethics ambassadors. The proposal to nominate a Board Director responsible for ethics was not implemented. The ethics dashboard was established as part of the Ethos programme (outlined below), and a separate ethics risk register was not established, but ethics risks are reported in the wider risk register.

223. The ethics programme subsequently became subsumed into a structured programme called "Ethos", led by Owen Woodley, focused on cultural change within POL, across

leadership behaviours, ways of working and internal communications. Ethos was designed to examine and improve the culture across all of POL, including to address particular cultural issues identified in the Judgments, and to identify and promote POL's values and beliefs to guide decision-making. The three primary aims of the programme were (1) to address fundamentals, being items which could be demonstrably addressed; (2) to address issues brought to light by engagement surveys and PM feedback; and (3) aspirational business practices representing best practice in a high performing organisation.

Other changes that have been considered but not yet implemented or are currently being considered by POL

224. I have been asked to summarise proposed changes that have been considered or are being considered in respect of my role, in response to the Judgments or evidence heard in the Inquiry. I have also been asked to explain my role in proposing and/or implementing any of these changes. I am aware of the following changes that are being considered, or are in the process of being implemented, at POL.

Legal check of SEG and Board papers

225. I have asked that no paper is allowed to be put to a SEG or Board meeting without a gateway check from the Company Secretary that the legal function has been appropriately engaged. This proposal has been agreed in principle by the Company Secretary but has not yet been implemented. This change would allow lawyers to have oversight of issues before the Board, including on matters involving or requiring legal advice. This proposed change was prompted by an issue coming to light in the evidence during Phases 5 and 6 of the Inquiry, namely that the Board did not always have access to full legal advice, and that legal advice was not always presented to the Board by lawyers (bringing with it the risk that advice was not accurately delivered or properly explained). This change will also ensure that all matters being considered by the Board or SEG have, if necessary, been brought to the

Board or SEG with legal advice, enabling the Board and SEG to make fully informed decisions, taking relevant legal risks into account.

Legal access to Board and SEG minutes

226. Similarly, I have sought and obtained permission from the Interim Chair for both the IGLD and IGGC to have access to all Board and SEG minutes (unless a conflict of interest exists), and to all risk reports. This information will ensure that my team and I can properly intervene if a material matter is progressing without legal advice. Access to Board and SEG minutes has been granted, and I expect access to the risk register to be granted shortly.

Legal representatives on Strategic Platform Modernisation Programme Steering Committee

227. I have requested that BAU Legal have a senior representative (i.e. IGGC or IGLD) on the Strategic Platform Modernisation Programme Steering Committee. The Strategic Platform Modernisation Steering Committee is responsible for the design, procurement and implementation of the NBIT system. The NBIT system is the planned replacement for Horizon. In my view, it would be efficient and ensure the responsible implementation of a new system if BAU Legal were able to sit on this committee. I believe many legal issues have arisen and are likely to arise, including in relation to issues such as the compliance of the design with POL's regulatory and/or contractual obligations, contracts relating to procurement of the system and ongoing services, and its rollout within POL and to PMs. The makeup of this committee is being considered as part of a review of SEG subcommittees being conducted by the Chief of Staff.

Focus and training on lawyers' duties and the supervision of POL lawyers

228. I provided training to the wider leadership team in August and expect to update the Board in September on the regulatory duties owed by lawyers. This includes duties not to mislead, independence, and to act in a way which upholds public confidence in the legal

profession. The issues being considered by this Inquiry include deficiencies in lawyers' conduct on behalf of POL. In my view, a better understanding by POL leadership of lawyers' duties will encourage productive interactions with POL's in-house lawyers, and a greater understanding that, while POL's lawyers will act in its best interests, this must be balanced with their duties as regulated professionals. Training will also minimise the prospect of any strategy or instruction that might pressure a lawyer to act contrary to their duties.

Publicising the Group Legal Policy

229. The Group Legal Policy will be publicised more broadly throughout POL through communications with employees. It was also publicised in One Digest on 30 August 2024. As referred to at 228 above, I believe that a better understanding of POL lawyers' duties and roles, including the policies developed specifically for POL's legal function, will aid strategic decision making involving lawyers, and also encourage the input of lawyers into decisions across the business.

Changes in response to Solicitors Regulation Authority note on SLAPPs including paper on SLAPPS to the RCC

230. BAU Legal is in the process of implementing a number of changes to internal documents in response to the SRA notice I refer to in paragraph 232. POL's Human Resources and Industrial Relations, and Litigation legal team manuals are in the process of being updated to include reference to SLAPPs and the importance of avoiding practices that may be perceived as aggressive or an abuse of process.

231. The onboarding literature provided to lawyers is in the process of being amended to emphasise lawyers' duties. Particular focus is given in these new versions to POL's approach to claims, to providing legal support for litigants in person, to the labelling of communications, and to the preparation of evidence. Matters relating to conduct of litigation

which touch and concern wrongful prosecutions, overturned convictions and the Group Litigation Order or the Inquiry are likely covered by SLAPPs.

232. Whilst POL's lawyers generally adopt an approach to litigation and the use of confidentiality that is consistent with the spirit of the SRA's SLAPP's notice published in November 2022 and updated 31 May 2024, BAU Legal has chosen to focus recent professional development on SLAPPs and taken a number of measures (including external training on SLAPPs from Simmons and Simmons, updating internal Human Resources and Industrial Relations, and Dispute Resolution Manuals, and review of the SRA's Conduct in Disputes Guidance, issued in March 2022), to demonstrate its compliance.

233. POL's Group Legal Policy will be amended to include reference to a duty for all lawyers to familiarise themselves and comply with notices published by the SRA. To assist with this, BAU Legal conducts monthly reviews of the SRA and Bar Standards Board websites, reporting relevant content to the IGLD and IGGC. These measures are aimed to improve practices in litigation and other dealings with potentially adverse third parties, to ensure that POL lawyers act with honesty and integrity at all times. There are similarities between the conduct often associated with a SLAPP and comments made in the Judgments about POL's previous approach to litigation: delay, refusals to cooperate, aggressive conduct, contacting litigants directly and reluctance to provide documents and information.

234. As part of ongoing training and development of best practices for POL's conduct of litigation, a paper on SLAPPs was presented to the RCC on 13 June 2024 by the Head of Legal for Human Resources and Industrial Relations, Laurence O'Neill, at my direction as executive sponsor. The purpose of the paper was to request the RCC to note: (i) POL's compliance with a notice on SLAPPs published by the SRA in November 2022 and updated 31 May 2024, and to note that further steps would be implemented to ensure familiarity with

the notice such as training, signposting in policies and team manuals and amending onboarding materials; (ii) POL's use of confidentiality provisions in settlement agreements in the context of the SLAPP notice; and (iii) measures to be taken by POL to ensure compliance with any similar notices published.

Guidance on document retention and litigation holds

235. I have requested the Head of Legal Dispute Resolution and Brand Protection to prepare a guidance note for the business on document retention and litigation holds. In his CIJ, Fraser LJ admonished POL for offering to preserve documents relating to a PM, as POL was already required to do so as a result of the duty not to dispose of documents relevant to litigation. This note is aimed at ensuring that non-lawyers at POL are also aware of, and comply with, this duty.

PM contract reform

236. Further reform of PM contracts (both PM contracts used up to 2016 and Network Transformation Contracts used from 2016 onwards) continues to be considered by POL, including to remove outdated references and simplify language. This is being led by the Retail team, with support from the Head of Legal – Retail and Network, Neil Wallis. On 26 June 2024, a paper was presented to the SEG requesting approval of a two-stage PM contract reform programme.

237. Stage one is currently underway, with the goal of updating the various PM contracts to achieve uniformity, update clauses relating to confidentiality and the Freedom of Information Act, to remove outdated language, and to include contractual terms which reflect the findings of Fraser LJ in the CIJ. Fraser LJ's findings regarding the PM contracts, and in particular the implied terms identified in the CIJ, had previously been communicated to those PMs bound by that contract, by a document titled "contract restatement notice". All changes

planned for stage one are to be in favour of PMs. I understand BAU Legal has completed its review of the contracts, and they are currently with external legal advisors for their review. Ahead of any changes that might be made, there would be a consultation with the NFSP and any other relevant stakeholders.

238. The Strategic Review includes detailed consideration of the relationship between POL and PMs, and as a result I expect there may be some focus on contracts, leading to further changes in the future.

Proposed changes that have not been adopted or implemented or where execution is delayed

239. I have been asked to detail any proposed relevant changes that are not adopted or implemented.

240. I have explained above in paragraphs 236 to 238 that there is some delay in effecting a wholesale review of contracts with PMs. My understanding is that this is awaiting the completion of the Strategic Review, which is considering the future direction of POL's business across the board. However, the stage one update is planned as described in paragraph 237. I am otherwise not aware of recommendations related to my duties and areas of responsibility that have not been implemented.

241. I have outlined a work stream relating to ethics at paragraphs 215 to 223 above. While this workstream achieved important developments in the frameworks and culture relating to ethics at POL, there are some measures which were considered as part of the workstream but were not implemented, for example the introduction of ethics ambassadors or an ethics lead/director. Mr Foat and I raised this at the time of the Institute of Business Ethics' recommendation (in around 2022) with Owen Woodley (Acting CEO of POL until end August 2024) and Karen McEwan, CPO. However, Mr Woodley's and Ms McEwan's view was that

accountability for ethics should rest with the organisation as a whole rather than with one person. The ethics workstream that I had developed with the Institute for Business Ethics also is no longer active, and I have passed responsibility for any remaining items to the People Director – Services, Tim Perkins, who initially re-joined POL to support Mr Woodley with the Ethos programme and is now responsible for colleague experience. My view was that it was better for my ethics workstream to be within the Ethos programme as it had executive sponsorship from Mr Woodley, whereas there had been significant issues in maintaining consistent executive sponsorship for the ethics programme, due in part to changes in the CPO role.

Whether the changes implemented thus far are sufficient to address findings of Fraser LJ and/or Inquiry evidence

242. I have been asked to provide my view on whether the changes falling within my duties and areas of responsibility and implemented by POL thus far are sufficient to address the findings of Fraser LJ and/or following evidence heard in the Inquiry. I have set out below the issues identified by Fraser LJ or in evidence in the Inquiry that I am able to comment on with reference to my duties and areas of responsibility.

Training on lawyers' duties and supervision of POL lawyers

243. I have addressed at paragraphs 184 - 185 above my launch of the new BAU Legal strategy, which includes a focus on training.

244. In my view the systems and improvements which have been put in place are sufficient to provide POL lawyers with the training and professional development opportunities they need to form a high-quality legal function able to support the business of POL. I do not believe that the POL's current legal staff would pursue claims or prosecutions in the way POL did previously against PMs for shortfalls based on Horizon data.

245. Changes to training will by their nature have a long-term impact on practices and culture, and will be an iterative process with further adjustments over time. However, there is potential for lawyers' workloads, as well as the high number of urgent requests for advice to impede training. POL lawyers currently have little time to pause their day-to-day duties to focus on training.

246. I would anticipate that this will improve once POL returns to a steady state of business-as-usual operation, however this is a challenge we will need to grapple with to ensure the efforts we have made deliver improvements to individual practices and corporate culture.

247. As referred to at paragraphs 186, 218 and 228, both the legal staff and leadership now receive training relating to the professional duties owed by lawyers. I believe that these measures, as part of ongoing training and development, are sufficient to ensure legal staff and leadership are able to appropriately balance their professional and regulatory obligations and the commercial organisation's expectations of them. The training will also develop leadership's awareness of the unique position of lawyers within the organisation, and encourage behaviours which support lawyers in compliance with their regulatory duties.

A&CI Team

248. I believe that the creation of what is now A&CI (Assurance & Complex Investigations) was essential to address issues relating to investigations identified by Fraser LJ and in this Inquiry, and that it is a significant success story. The A&CI team is a professional centralised team, responsible for conducting the most complex/sensitive investigations within POL, and assuring other investigative activity impacting the business. It also encompasses the Speak Up programme, allowing a direct line for any employee or PM to report an issue. I believe this team is an essential part of POL's accountability to its staff and contractors, ensuring issues are dealt with properly, professionally, comprehensively and ethically as they arise.

Interaction between the Board and the legal and investigations functions

249. In my view, recent changes (addressed elsewhere in this statement) to the relationship between the Board and the legal function are positive progress which will significantly contribute towards addressing the issues raised in the Judgments and the evidence heard in the Inquiry. In particular, my attendance at Board meetings, and the opportunity for a senior legal staff to perform a gateway check on Board and SEG papers will ensure that legal advice is given where it should. Further, the inclusion on the Board of an Investigations Champion provides a check and enables the Board to have oversight of investigations.

G. WHISTLEBLOWING (SPEAK UP)

250. I have been asked to set out my reflections as to the adequacy and effectiveness of POL's current whistleblowing policies and procedures.

251. I have extensive personal experience with regard to whistleblowing programmes which means I am well placed to evaluate and comment upon the effectiveness of POL's programme. My experience started in around July 2016 when I worked at Santander and whistleblowing was added to my areas of responsibility. Part of my role was to ensure the bank had effective arrangements to ensure employees could speak up safely. I was responsible for the policy, procedures, training and reporting of whistleblowing concerns while I was in that role until June 2019.

Current Operation of whistleblowing procedures

252. 'Speak Up' (POL's name for its whistleblowing programme) at POL has evolved and improved over time. When I joined POL, Speak Up sat in Financial Crime under Compliance which itself sat under the GGC. I shared my knowledge around best practices in whistleblowing programmes including, for example, the appointment of a Whistleblower's

Champion, and the use of Protect for benchmarking and training, with the GGC and the Money Laundering Reporting Officer (who at the time had responsibility for Speak Up). Following KPMG's report on, amongst other things, a target operating model for investigations (see paragraphs 199 - 202), I moved Speak Up to under the Complex Investigations Unit, as it was then called following John's arrival in post as Head of CIU in February 2022.

253. POL has Speak Up arrangements in place to allow employees, PMs and the public to raise issues, including outside of employees' usual reporting lines. It is a confidential reporting service operated by an independent company, Convercent, by which people (including both employees and PMs) can phone, email or fill out an online form to raise concerns. Additionally, concerns can be raised via Branch Support Centre, being PMs' first port of call for any issues, or Grapevine (a 24-hour, 7 days a week system for the purpose of reporting suspicious or criminal activity), or they are able to raise an issue with their line manager or directly with the Speak Up Manager via a nominated email address. Dedicated staff then handle the issue, including any investigation, and the reporter is notified of an outcome. All cases are logged, allowing for reporting.

254. I believe POL's Speak Up policy and processes today are strong, reflecting many elements of what I understand to be best practice, and include all the key components necessary to deliver effective Speak Up arrangements. The following factors inform my view of the effectiveness of POL's Speak Up arrangements:

- (a) POL has a dedicated Speak Up function comprising an experienced Speak Up & Intelligence Manager and an analyst;
- (b) there are multiple channels by which both employees and PMs can raise a concern, (including anonymously via a third party platform);

- (c) key policies including the PM Support Guide include details of the channels by which anyone can Speak Up;
- (d) POL takes active steps to ensure employees and PMs are aware of what a Speak Up is and how to report one. The existence of Speak Up is widely publicised. Posters have been distributed to PMs and Post Office branches, there were pens and posters advertising Speak Up at the NFSP Conference in May 2024, as well as pens at POL offices in Wood Street and Chesterfield. There is a continued focus on raising awareness, for example there are plans for the Speak Up team to attend future PM meetings in Scotland, NI and Wales. The Speak Up team is currently developing a Speak Up training session for all POL staff, along with a story board, which will be launched to the business by Amanda Burton before the end of 2024, as well as plans for the Speak Up team to attend the annual PM conference;
- (e) I also expect training to refresh those responsible for Speak Up including the Speak Up Champion, Director of A&CI, Speak Up manager, investigators and me to occur by the end of the year;
- (f) PMs and employees are in fact reporting speak ups. In 2023, POL staff made an average of 0.9 reports a month and in the first 5 months of 2024, staff made an average of 2.2 reports a month. In 2023, PMs made an average of 1.9 reports per month, and in the first 5 months of 2024, PMs have made an average of 2 reports per month;
- (g) confidentiality or anonymity is available to reporters and can be protected throughout the process, subject to overriding lawful disclosure obligations. Recently, there has been an increase in the number of individuals willing to report on a confidential basis and speak directly with the Speak Up team on the understanding that their details

will be known to the Speak Up team but not otherwise disclosed. I believe this shows increasing trust in the Speak Up team, and also aids efficiency of the investigation;

- (h) after making a report, the reporter is informed of the outcome of the Speak Up;
- (i) management can and does take appropriate action based on the reports received;
- (j) an annually reviewed Speak Up Policy is approved by ARC, and this policy has previously been externally reviewed by Protect;
- (k) investigations are conducted in accordance with POL's Investigations Policy, and by professionally trained investigators;
- (l) there is a secure system for logging of cases and recording progress;
- (m) there is sufficient escalation to and oversight of the arrangements by senior management/ Board. A non-executive director is nominated as the Speak Up Champion (Amanda Burton), who provides oversight and helps assure independence of the Speak Up process. Ms Burton meets quarterly with those responsible for the Speak Up function, including the IGGC and Speak Up manager;
- (n) there is monthly reporting about Speak Up to SEG and Board and quarterly reporting to ARC;
- (o) there is a mindset of continuous improvement: Speak Up conducted a survey in February 2021, Protect also conducted an assessment in February 2021 (overall score 46%), and Protect again conducted an assessment in November 2021 (overall score 80%), EY reviewed Speak Up in April 2023 and further external assurance is scheduled for 2025;

- (p) Specific Speak Up-related training: investigators receive targeted training on topics such as dealing with reporters, handling sensitive matters, interviewing techniques;
- (q) POL has a two-year Speak Up strategy that focuses on awareness, trust, training and support. This strategy was approved by POL's Board in July 2024, and has been published on the Speak Up page on POL's intranet;
- (r) A&CI reviews a sample of Speak Up investigations on a 2-monthly basis and Group Assurance reviews a sample of A&CI cases on an annual basis;
- (s) the Speak Up programme has the full support of senior leadership of POL; and
- (t) there are Speak Up-focussed engagement sessions with the Branch Assurance, the Contracts Team and Group Compliance groups.

Opportunities for improvement

255. The main area I would identify for improvement in POL's current Speak Up framework is resourcing. A new investigations manager started in August 2024 which should enable matters to be investigated more quickly. In my view, cases are open for longer than they should be (for an average of 119 calendar days) because there are not enough people working on the reports and progressing them through the system. I would like to reduce this number. As I said above, the programme has the right building blocks and has been externally assured, but with greater resources dedicated to it would be able to deal more quickly with investigating concerns, which in turn would lead to a quicker escalation and remediation of issues when that is necessary.

256. In addition, I would like to see more frequent formal surveys for both employees and PMs about Speak Up being conducted to test knowledge and awareness of and trust in Speak Up arrangements. The last one was in February 2021, and it asked a wide range of

questions designed to test responders' understanding of the Speak Up process and identify any gaps to be addressed by training and communication. I would also like to see POL seeking feedback from reporters regarding their experience of using Speak Up. I consider that best practice would be to ask for feedback: i) on the process, immediately after a concern has been raised; ii) at the point of closure of any investigation; and iii) 6 months later, assuming the reporter gives permission to be contacted again.

H. CONCLUSIONS, CONCERNS AND FURTHER RECOMMENDATIONS

257. I have been asked to set out any other comments, reflections or concerns I have about my experience as POL IGGC. In the following paragraphs I set out my comments relating to capacity with LCASR and POL generally, staff turnover, and BAU Legal's role in development of NBIT.

Capacity within BAU Legal and the wider organisation

258. My primary concern with POL is that there is a lack of capacity within LCASR, and more broadly across the organisation. Following on from the proceedings presided over by Fraser LJ, and subsequently the Inquiry, I do not feel that I have experienced POL in a business-as-usual state, but rather in an extended crisis mode. The Inquiry is extremely important, but simply as a result of its scale and relevance to most of POL's operations, it takes time and resource away from other areas of the business. The result of this is that changes to the organisation can sometimes take longer than desirable to implement.

Impact of staff turnover and leadership change

259. There has been a regular change of personnel at all levels of the organisation and this is particularly impactful when it consists of leadership changes. For example, at present POL has an Interim Chair, an Interim GGC, an Interim COO, an Interim CTO and an Interim CFO. This is clearly not desirable for stability. That said, I believe that the foundations of a strong

and better POL are in place, and further improvements are in train. The leadership team has the right skills, attitude and commitment to drive the cultural and organisational changes which have been put in motion, and so the fundamental building blocks for success are all there. It is simply that POL will need some time in a 'business as usual' state in order to continue the work and consolidate the improvements that have been made.

BAU Legal's role in the development of NBIT

260. I also have a specific concern as regards the extent of the role of BAU Legal, or any other lawyer, in the development of NBIT. For example, it has been difficult for BAU Legal to get information on what is being built and to what standard. I obviously do not have the technical skills to lead that workstream and it is right that it is led by others within POL, but I do consider that there is an oversight role for BAU Legal to play. Although the Head of Legal, IT and Procurement has been involved in the NBIT workstream, no representative from BAU Legal sits on the Strategic Platform Modernisation Committee (NBIT) Steering Committee. BAU Legal has completed a review of around 250 contracts and prepared reports relating to data and information security, onerous obligations, regulatory obligations or other material factors. I have not observed consistent action from the NBIT and business teams to indicate that the reports have been considered and acted upon. I also have concerns relating to governance, lack of clarity in accountability, general hesitancy to make decisions and inadequate recording of decisions, based on what I have seen of external reports on NBIT. Overall, I would like to see a more systematic consideration and recording of legal risks relating to NBIT by the steering committee.

I. OTHER MATTERS

261. I have been asked to set out any other matter relevant to the Inquiry's Terms of Reference.

Particular current Speak Up reports

262. As a result of A&CI reporting to me, I am aware of three current investigations of Speak Up reports which involve allegations relevant to the Inquiry's terms of reference. These are known as "Alder", "Willow" and "Acer". The usual Speak Up process is still ongoing in relation to all three of these investigations and external counsel have been instructed in connection with them. To protect the integrity of the investigation and the identity of the reporters, I am not able to go into detail of the allegations or the progress of the investigation.

Statement of Truth

I believe the content of this statement to be true.

Signed: **GRO**

Dated: 11.9.24

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