

Witness Name: Arthur Leslie Owen

Statement No.: WITN10340100

Dated: 9 October 2024

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF ARTHUR LESLIE OWEN

I, Arthur Leslie Owen, will say as follows:

INTRODUCTION

1. I make this witness statement in response to the Post Office Horizon IT Inquiry's (the "**Inquiry**") request for evidence under Rule 9 of the Inquiry Rules 2006 in its letter to me dated 8 August 2024 (the "**Request**"). This statement covers my career background, including my IT experience, my roles at Royal Mail, including as non-executive director and interim Chairman, the corporate structure of Royal Mail, the operation of the Royal Mail boards, the governance and oversight of Royal Mail companies, the separation of the Post Office from Royal Mail, including the Royal Mail IPO, responsibility for functions within Royal Mail, my and the board of directors' knowledge of the Horizon IT system, audits and reviews of the Horizon IT system, and complaints by subpostmasters.
2. I have received legal assistance from Simmons & Simmons LLP in the preparation of this statement.

3. I have referred to documents disclosed to me by the Inquiry and Royal Mail as part of the Request, in the manner prescribed by the Inquiry's Protocol on Witness Statements updated on 24 January 2023.

BACKGROUND

4. I graduated from the University of Manchester with a degree in mathematics in 1971. I joined Sun Life Assurance Society Limited ("**Sun Life**") with a view to becoming an actuary. I qualified as a fellow of the Institute and Faculty of Actuaries in 1975. I remained with Sun Life for 28 years in increasingly more senior positions, becoming Chief Executive in November 1995. I played a leading role in the initial public offering of Sun Life & Provincial Holdings in 1996. In January 2000, at the request of AXA (the parent company of Sun Life at the time), I became Group Chief Executive of AXA Asia Pacific Holdings Limited based in Melbourne, Australia. During my time at Sun Life and AXA, I gained significant experience in the full range of issues that arise in the management of a complex financial services business. I was a director on numerous operating, subsidiary and joint venture boards. I retired from full-time employment in September 2006.
5. Since retiring from full-time employment, I have held the position of independent non-executive director on a variety of boards of mainly listed companies, including Computershare (2007 to 2018), Discovery Holdings (listed in South Africa, 2007 to 2020), Just Retirement (2010 to 2014), Jelf Group (2010 to 2015), Royal Mail (2010 to 2019), and CPP Group (2010 to 2015). I was Chairman of Jelf Group (September 2010 to December 2015) and (as explained below) interim Chairman of Royal Mail (September 2018 to May 2019). I was

also a non-executive director of an unlisted company, Coverzones Limited (2007 to 2010).

IT EXPERIENCE

6. I have been asked to address my IT experience. During the late 1980s I had responsibility for leading a project to resolve a set of complex issues relating to the major IT systems in Sun Life. As part of that, I had general management responsibility for the IT function for approximately 12 months before recruiting a new head of IT. Whilst not being an IT professional or having any IT qualifications, my professional experience, particularly on this project, gave me some knowledge of and insights into IT development and IT project management.

APPOINTMENT TO ROYAL MAIL BOARD

7. I was approached by the then Royal Mail Chairman, Donald Brydon, in early 2010 to join the board of Royal Mail as an independent non-executive director. I had known Donald Brydon for several years during my time with AXA. My understanding was that he was looking to strengthen the Royal Mail board by adding someone with significant operating and general management experience. He was looking for someone with a financial services background in view of the challenges facing Royal Mail and Post Office Limited (“POL”) due to the defined benefit pension scheme (which was significantly underfunded) and the POL joint venture with the Bank of Ireland (which represented a significant risk following the financial crisis). My recollection of the interview

process is that I had a one-to-one meeting with Adam Crozier, then Royal Mail's CEO. I was also interviewed by two of Royal Mail's non-executive directors.

ROLES HELD AT ROYAL MAIL

8. I was a non-executive director for Royal Mail from January 2010 to May 2019. I was interim Chairman of Royal Mail from September 2018 to May 2019. I was a member of a number of committees during my time at Royal Mail, including the Audit and Risk Committee ("**ARC**"), Remuneration Committee, Nomination Committee and Pensions Committee. I was Chair of the Nomination Committee from September 2018 to May 2019 and Chair of the Pensions Committee from 2013 to 2019.

APPOINTMENT TO THE POL BOARD

9. I was a non-executive director of POL from October 2010 to March 2012. I joined the POL Board at the request of Donald Brydon, Chairman of Royal Mail and POL at the time. He wanted a nominated Royal Mail director appointed to the POL Board. I resigned from the POL board with effect from 15 March 2012. This was shortly before the formal separation of Royal Mail and POL. I resigned because I was asked by the Shareholder Executive ("**ShEx**") to continue on either the Royal Mail or POL board (but not both) in order to ensure that there was no conflict of interest in my duties to either company after separation.

SINCE LEAVING ROYAL MAIL

10. After stepping down from the Royal Mail board in 2019, I remained as a non-executive director on the board of Discovery Holdings until early 2020. Since

that time I have been fully retired. I spend some time chairing a small charity.

MY ROLE AND ROYAL MAIL'S CORPORATE STRUCTURE

11. I have been asked by the Inquiry whether I consider there is any difference between the responsibilities of a director of a company solely owned by HM Government and a company with a wider shareholder base. I do not believe there is any such difference. It may be that a 100% shareholder has additional reporting or management information requirements, but the statutory and professional responsibilities of directors do not differ. The responsibilities of directors are extensive and are governed by legislation (including the Companies Act 2006), corporate governance codes and professional conduct codes. Royal Mail and POL directors would therefore have had oversight responsibilities in relation to the activities of the companies, which would include oversight of criminal prosecutions, civil litigation, IT, accountancy systems and compliance with the Race Relations Act 1978 and Equality Act 2010.
12. Whilst directors have overall responsibility for the governance and oversight of all the company's activities, non-executive directors cannot, and do not, have the same detailed knowledge of or involvement in the business as members of management. Non-executive directors rely upon a variety of other structures to assist in the exercise of this responsibility, including: management structures; periodic reporting; board and other committees (including risk and audit); external auditors; and reviews, both internal and independent, carried out at the request of the board.
13. Responsibility for monitoring the Horizon IT system ("**Horizon**"), criminal

prosecutions and civil proceedings would lie with operational management at POL on a day-to-day basis, with oversight from the POL board and board committees. There would be higher level oversight from the Royal Mail board and board committees (including the ARC), internal audit and risk functions.

14. When I joined the Royal Mail board, the Managing Director of POL attended Royal Mail board meetings. This was initially Alan Cook, then David Smith, who was replaced by Paula Vennels in October 2010. There was always a short paper on POL matters included in the Royal Mail board papers, and the POL Managing Director would report on POL's performance at Royal Mail board meetings. POL's risk and other reports were included in the papers submitted to the Royal Mail ARC. I am aware that Royal Mail's CEO and Chairman would report to the Department of Business and ShEx, but I was not involved in this reporting.
15. My responsibilities as a non-executive director of Royal Mail and POL included exercising oversight over Royal Mail and POL's management in the exercise of their responsibilities. This involved reading reports from the various business functions and external advisors, asking questions, and relying on my knowledge and experience to make an assessment of the reports I received and the effectiveness of senior management. It is not a non-executive director's role to have day-to-day involvement in the management of the company.
16. I was involved in the oversight of the group Legal, IT, Security and Investigation departments to the extent that these departments made reports to the Royal Mail and/or POL boards whilst I was a member. Issues from these areas of the business would be escalated and discussed at board level. I make reference to

a selection of these reports in this statement. I am not aware of the existence of a 'problem management team' and I did not receive reports from any such area of the Royal Mail or POL business.

17. I received legal reports and reports from the Company Secretary whilst I was a director of the Royal Mail and POL boards. These covered matters including criminal prosecutions, investigations, thefts, fraudulent bulk mailing, ongoing or proposed litigation, and attacks on staff. There were legal issues in different parts of the business all the time. Royal Mail was subject to a lot of organised criminal activity, for example the fraudulent printing of stamps, and bulk mailers failing to declare the true number of letters being sent. My recollection is that these reports included brief reference to shortfalls in branch accounts but no indication that issues with Horizon were the cause. POL had historically been subject to a consistent level of theft and fraud by subpostmasters, which is why I understood that POL conducted investigations and had the power to conduct private prosecutions.
18. I also recall receiving updates on Horizon at POL board level. From my professional experience, I know that bugs, errors and defects ("**BEDs**") in IT systems are common. I do not recall any discussions of material BEDs in Horizon that would affect the integrity of prosecutions being brought by POL against subpostmasters.
19. Policies relating to Security, Crime and Investigation, and Prosecution for the Royal Mail group (including POL) were periodically reviewed by the Royal Mail board. However, I was not involved in and have no detailed knowledge of: (i) the policies and procedures followed by the Royal Mail or POL businesses

when pursuing civil actions; (ii) the conduct of audits of subpostmasters' branch accounts; (iii) practices and policies adopted by the business in investigating and bringing criminal prosecutions; or (iv) the distribution of information relating to the reliability of Horizon.

20. The leadership style at the Royal Mail board was open. The Chairman, Donald Brydon from 2009 to 2015, encouraged open discussion and expressions of opinion. He made sure to involve all directors. Regular reports were submitted by the senior executives responsible for the key business areas covering the financial and operating performance of the group, specific issues and strategic initiatives. Reports would also be submitted from the Chairs of the ARC, Pensions Committee and other board committees. Usually the senior executive or non-executive director responsible for a particular board paper would attend the meeting to present and answer questions.
21. When I first joined the Royal Mail board, there were several experienced non-executive directors who I believed did have a level of IT knowledge and experience that I would have expected. However, I was surprised at the lack of IT knowledge and experience in middle and senior management. I queried this and was informed that, following the outsourcing of the group's IT function to International Computers Limited (subsequently Fujitsu) some years earlier, the individuals involved in IT middle and senior management had transferred out of the company. I, and other non-executive directors, expressed concern at the lack of knowledge and oversight of the key Royal Mail IT systems within middle and senior management, and a process was started to recruit experienced

senior IT staff and project managers to provide improved input to, and oversight of, the IT systems managed by Fujitsu.

22. When I first joined the POL board, there were also several non-executive directors who I believed did have a level of IT knowledge and experience that I would have expected. However, I observed the same issue regarding a lack of IT knowledge and experience within POL's middle and senior management.
23. I do not know how the POL board operated prior to me becoming a director in October 2010. As mentioned above, I was put forward by Royal Mail to join the POL board as a non-executive director in the run up to POL's formal separation from Royal Mail when it would become a fully independent company. I had had more contact with POL than the other non-executive directors due to my involvement in the pensions scheme and the Bank of Ireland joint venture. During my brief period on the POL board it operated broadly in the same way as the Royal Mail board.
24. I had sufficient time to carry out my responsibilities as a director of the Royal Mail and POL boards in full. My attendance at board and committee meetings was published in annual reports and I rarely missed a meeting in my nine years at Royal Mail. I was assiduous in reading board materials and I think my colleagues and management on the boards of both companies would say that I was always a challenging and active contributor in board discussions.
25. On joining the Royal Mail group, I was made aware that Royal Mail and POL had the power of prosecution due, I understood, to the ongoing level of attacks on postmen and shortfalls in Post Office accounts. I was not briefed at the

outset on the risks and/or compliance issues that could arise from the prosecution of subpostmasters or the pursuit of civil litigation to recover alleged shortfalls. My understanding of the risk and compliance issues facing Royal Mail, and later POL, developed as my knowledge of both businesses developed.

26. In relation to the Horizon system, the POL board discussed issues with Horizon in the context of Ernst & Young's ("EY") audit for 2010/2011. I refer to this in more detail at paragraphs 37 to 47 of my statement.
27. In my view, Royal Mail and POL's overall corporate governance, board and management structures were appropriate to enable me to fulfil my responsibilities as a non-executive director. These structures were very much in-line with what I had experienced elsewhere in my earlier management and non-executive director roles.
28. Whilst I was a board member, I believe (based on my experience of other organisations) that the Royal Mail and POL boards exercised appropriate oversight over the key business areas and the potential risks and compliance issues that could affect the business. Reports were escalated to the board and were challenged by board members. Board members could and did ask senior management to provide additional information or take action. Where actions were to be taken by senior management the outcome was reported back to the board.
29. I resigned from the POL board in March 2012, at the time of its separation from Royal Mail. I had no involvement in, responsibility for, or oversight over POL's

activities after this date. Following separation POL was solely and directly owned by HM Government. Royal Mail went on to list the majority of its shares on the London Stock Exchange on 15 October 2013 and was fully privatised in October 2015 (at which point it ceased to be owned by HM Government).

30. I cannot comment on the adequacy of HM Government's oversight over Royal Mail and POL prior to September 2018 as this is outside my knowledge. Royal Mail and POL's Chairman and CEO were generally responsible for relationships with HM Government. For the most part, I believe oversight was exercised by ShEx through discussions with the Chairman and CEO of Royal Mail and the POL Managing Director / CEO. I became Chairman of Royal Mail on an interim basis in September 2018, nearly six years after its separation from POL and three years after it was fully privatised. HM Government was therefore not exercising oversight over Royal Mail whilst I was Chairman.

KNOWLEDGE OF THE INTEGRITY OF HORIZON

31. My knowledge of the Royal Mail group's IT systems developed over time through reports submitted to the Royal Mail board and its committees. This included occasional reporting on Horizon, particularly regarding stability and Fujitsu's lack of SAS70 accreditation, as I address further below. In my experience, all IT systems have a level of BEDs and I do not recall being given any evidence to suggest that the level of BEDS in Horizon was unusual. I had no knowledge of complaints relating to BEDs.
32. I had no knowledge of Fujitsu employees' ability to alter transaction data or data in branch accounts. However, the ability of IT service providers to remotely

access systems was not uncommon based on my professional experience of IT systems generally. My knowledge of some of these issues did increase during my short time on the POL board as further described below (see paragraphs 38 to 47). As a non-executive director on the Royal Mail and POL boards I did not have, and would not have expected to have been given, training on the Horizon system.

33. I have been asked by the Inquiry to comment on the nature and extent of my knowledge of a report prepared by Rod Ismay (Head of Product & Branch Accounting, Post Office) titled "*Horizon – Response to Challenges Regarding Systems Integrity*" dated 2 August 2010 [POL00294837]. I did not see a copy of this report before it was provided to me by the Inquiry and had not heard about it until the Inquiry process commenced. The report precedes my appointment to the POL board and, although I had been a member of the Royal Mail board for six months by August 2010, I do not believe it came to the Royal Mail board. If it had come to the board, I would have read it.
34. Reading the report now, I do not think that I would have accepted the reasons provided then for not commissioning an independent review into Horizon, particularly that any report would need to be disclosed in legal proceedings. That is not an acceptable reason for not carrying out a review.
35. Towards the end of my time on the POL board, I have a strong recollection of becoming aware of an increase in the number of criminal prosecutions undertaken by POL following the implementation of Horizon. It was not clear to me what had caused this uptick in prosecutions, but I thought it was possible that it could be related to the introduction of Horizon. This prompted me to

request that an independent review be done and this sentiment was echoed by the other board members. I think this occurred at the March 2012 meeting, which I will refer to later in this statement (at paragraphs 60 to 61). I remember leaving the meeting, and the POL board, understanding that an independent review would be undertaken. However, I have not been able to find documentary support of my recollection in the papers provided to me by the Inquiry or Royal Mail.

AUDITS AND REVIEWS OF THE HORIZON IT SYSTEM

36. The Inquiry has asked me to comment on a meeting of the Royal Mail ARC on 13 May 2010. I note that the minutes of the Royal Mail ARC meeting held on 13 May 2010 [RMG00000004] show that I was in attendance at that meeting but I was not a member of the ARC at that stage. The minutes record (at ARC 10/28) that the ARC noted a paper setting out details of an Internal Audit & Risk Management Department Plan for 2010/2011. I have not been provided with a copy of that paper. In relation to the audit plan, the minutes record “*a significant allocation of activity to POL recognised the importance of continued risks facing this business, including FSA compliance, agents remuneration, the Horizon payment system, and cash logistics security*”. I do not recall the discussion on these matters at the meeting or why Horizon would have been considered by Internal Audit to have been a continued risk to POL. The paper suggests that there were issues and shortcomings in POL across several areas.
37. Alison Duncan, a partner from EY, introduced the Audit Results Report for the year ended 27 March 2011 at an ARC meeting on 20 May 2011. I attended that meeting. It can be seen from the Royal Mail ARC meeting minutes dated 20

May 2011 [**RMG00000005**] that Alison Duncan explained that significant control weaknesses in POL had been identified as part of the audit process. Those weaknesses were said to reflect the need for improvement by Fujitsu, the supplier of Horizon, and also a change of approach on the part of POL in relation to the management of the Fujitsu contract. The minutes recorded that POL had not been demanding SAS70 audit assurance from Fujitsu. SAS70 refers to an auditing standard for governance and controls adopted by companies providing services to others.

38. I have also seen minutes of a POL board meeting which took place a week later, on 27 May 2011 [**POL00021499**]. EY's concerns about a number of matters including Fujitsu's managed service and POL's oversight and assurance of key activities were recorded. During the next POL board meeting on 4 July 2011, the minutes of that board meeting [**POL00021500**] recorded that I emphasised that the advantage of asking Fujitsu to comply with SAS70 audits was that POL could rely on and be assured about Fujitsu's controls.
39. I have been asked by the Inquiry to comment on EY's audit for 2010/2011 and the nature and extent of my involvement in that. I did not have any direct involvement in the conduct of the audit. I was involved in my capacity as a non-executive director of the board. My knowledge is, therefore, based on my recollection of information that I received as a member of the Royal Mail and POL boards. Those recollections have been supplemented by copies of minutes of board meetings at which briefings were provided on EY's audit work. EY performed an annual audit across the Royal Mail Group including POL, until the separation in April 2012. The audit included reviewing relationships with

providers of outsourced services such as Fujitsu.

40. I had no reason to think that the findings set out by EY in their management letter for the year ended 27 March 2011 dated August 2011 and which was addressed to POL [POL00030217] were unreasonable, incorrect or inappropriate. It is not surprising to me that there would have been issues with a computer system, and I do not think I would have been surprised at the time. I do not recall seeing anything which raised red flags in relation to the audit. I understood the importance of having appropriate controls in place for any large organisation and had a general understanding of SAS70 from roles on other boards. Having SAS70 accreditation was a valuable and important step to improve the overall risk controls around Horizon and POL's contractual relationship with Fujitsu. I supported that at the POL board.
41. EY's management letter addressed to POL for the year ended 27 March 2011 sets out detail on the weaknesses identified by EY [POL00030217]. My knowledge of actions taken to address issues regarding Horizon identified in EY's management letter was based on reports to the board and discussion at board meetings (both POL and Royal Mail). I do not recollect seeing or being briefed on the details of the implementation of actions to address the issues regarding Horizon identified in the management letter, and cannot comment on their adequacy.
42. In the management letter for the year ended 27 March 2011 [POL00030217], EY observed that Fujitsu did not have SAS70 accreditation and that this did, and would continue to, mean that EY would have to carry out additional audits of Fujitsu controls etc, and that the costs of these would then be reflected in the

POL audit fee. The Board discussed this and was of the view that Fujitsu, as an IT service provider to a range of clients, should have SAS70 accreditation and that this would give POL additional assurance regarding Fujitsu's internal controls and assurance processes. This view in and of itself had nothing to do with costs but was based on the desirability of strengthening assurance for POL on the controls / processes relating to Horizon.

43. The discussion on costs related to the costs of the SAS70 accreditation process itself, where it was noted that Fujitsu should bear these as a service provider with multiple clients each of whom could then place appropriate reliance on their controls and assurance processes. Directors, including myself, observed that it was in their experience normal that service providers like Fujitsu would have SAS70 accreditation and that it would have been inappropriate for individual clients to bear these costs. It can be seen from minutes of an Royal Mail ARC meeting on 8 December 2011 [RMG00000003] that Fujitsu did commit to covering the cost to implement a SAS70 compliant approach for EY's next audit (ARC11/54). The ARC was satisfied with the actions recommended by EY.
44. As set out above (at paragraph 37), EY introduced their Audit Results Report for the year ended 27 March 2011 at a meeting of the Royal Mail ARC on 20 May 2011 (Royal Mail plc ARC minutes of 20 May 2011 [RMG00000005]). The minutes record that POL had established an IT Audit & Control Board to manage contract governance going forward. The minutes state that I noted that the POL board had not been made aware of that and I asked in future that the board be kept fully up to date on all such initiatives.

45. EY's audit was also discussed at the POL board meeting held on 27 May 2011 [POL00021499]. The minutes record that the board noted that activity had already commenced to remedy the issues identified by EY, including the establishment of the Post Office IT Audit & Control Board. In the following POL board meeting on 4 July 2011 [POL00021500], Paula Vennells confirmed that the new Board would address all issues and actions from the SAS70 audit.
46. I did not have any involvement in the Post Office IT Audit & Control Board. I understood that this was a management committee that would not have formally reported to the board. At the time of these meetings, I thought having such a committee was a positive step for management and oversight of IT governance.
47. I have been provided with copies of a draft and final version of an assurance review prepared by Internal Audit & Risk Management: (a) Draft Report 11/005 Review of Key System Controls in Horizon Assurance Review, Post Office dated February 2012 [POL00029114]; and (b) Review of Key System Controls in Horizon, Post Office dated March 2012 [POL00030482]. I do not recall receiving either of these documents before they were provided to me by the Inquiry and I have no knowledge of them. I note that I am not included on the distribution lists of either document and from those lists it is not clear to me that the assurance review was presented to the POL board. If it was, that may have occurred after I left the board in March 2012. It is possible that the assurance review was carried out by Internal Audit & Risk Management in conjunction with the new IT Audit & Control Board.

COMPLAINTS BY SUBPOSTMASTERS

48. I have been asked by the Inquiry to set out the nature and extent of my knowledge of, and involvement in, investigating and/or responding to complaints concerning Horizon, or criminal or civil proceedings brought by POL. I did not have any involvement in those matters. As a non-executive director on the POL board for 17 months, my knowledge of those matters was not detailed. The knowledge that I had during that time was limited to matters put before the POL board at meetings.
49. The Inquiry has provided me with copies of six sets of minutes for POL board meetings for the period during which I was a member of the board. From those minutes, it is clear that information was provided to the board on criminal and civil proceedings at the meeting of the POL board on 12 January 2012 (Minutes of POL board meeting held on 12 January 2012 [**POL00021503**]). I attended that meeting.
50. Shortly before that time, I read an article in Private Eye about claims being brought against POL by subpostmasters concerning failures of Horizon. I recall raising the article at a board meeting, and the minutes record that I did that at the meeting on 12 January 2012. I asked whether there was any substance to the claims.
51. The Inquiry has provided me with a copy of a chain of emails between Donald Brydon, Paula Vennells, Moya Greene, Paul Murray and Alice Perkins with the subject "Class Action", dated 29 September 2011 [**POL00405910**]. In the chain, Donald Brydon emailed Paula Vennells and referred to an article which had

appeared in Private Eye that week about a class action by subpostmasters suggesting that it may be appropriate to have an explicit litigation or legal report in the POL board papers in the future. I believe that Donald Brydon was referring to the same article that I had read. He also asked whether an independent audit of Horizon had ever been carried out. In her response, Paula Vennells stated that POL had taken a decision several months ago to have Horizon and Horizon Online independently verified by an external systems auditor. She indicated that this process was underway and the results would be available at the end of the month. Paula Vennells sent that chain on to me and others stating "*Fyi. Susan will provide a background brief*".

52. Susan Crichton (Head of Legal) briefed the board at the meeting on 12 January 2012 on challenges to the integrity of Horizon brought by subpostmasters. She explained that the system had been audited by Royal Mail Internal Audit and their reports had been reviewed by Deloitte. She told the board that the audit report was very positive. She also stated that POL had won every criminal prosecution in which it had used evidence based on the integrity of Horizon. As mentioned previously (see paragraph 50), I recall reading the Private Eye article and the fact that this raised concerns with me, and I raised this at the board meeting. I was satisfied at this stage with Susan Crichton's response, given her assurances regarding the Internal Audit review, Deloitte's review and the fact that prosecutions were almost always successful.
53. The minutes of the 12 January 2012 meeting also record that Susan Crichton suggested that she clear the audit report with the external lawyers and, if it was possible to give the report privileged status, would circulate it to the board. I

understand that she was referring to the report prepared by Internal Audit on Horizon which had apparently been reviewed by Deloitte. I do not know the reasons for her comments on privilege and could only speculate.

54. My knowledge of complaints and proceedings was based on and derived from the papers which were provided to the board, which I always read – for example, a one-page paper that Susan Crichton prepared for the meeting in January 2012 (Post Office Ltd Board, “*Significant Litigation Report*”, Susan Crichton, January 2012 (POLB(12)13) [**POL00095595**]). Information was provided in that paper about civil proceedings brought by subpostmasters against POL for wrongful termination of their contracts based on failings with Horizon. Susan Crichton stated that a large number of claims might be received, possibly between 55 and 150, according to press reports. However, the considered legal view was that the claims were unlikely to succeed.
55. A separate paper dated January 2012 was also provided to the POL board which summarised commercial litigation claims in excess of £500,000 and/or claims with wider significance for the business (“*Post Office Limited Litigation Matters – Commercial Litigation*” (POLB (12)23) [**POL00095835**]). The paper provided high level information on five claims brought by former subpostmasters against POL which were being defended by POL, although for one of the claims, it appears that papers related to the relevant branch had been destroyed.
56. Shoosmiths LLP appeared to be acting for the claimants and the paper recorded that Shoosmiths LLP had asserted they had consulted on a further 85 cases. I do recall this paper but I do not believe that there was any detailed

discussion by the board of individual cases. If these matters were discussed at the board, it would have been in the context of Susan Crichton's broader briefing on Horizon matters.

57. I note from the papers provided to me by the Inquiry that a similar paper which summarised Horizon claims was provided to the POL board in February 2012 ("*Post Office Limited Matters – Dispute Resolution*" (POLB (12)42) [**POL00096033**]). It does not appear from the minutes of the board meeting that month that an oral update on those matters was provided (POL, minutes of meeting held on 9 February 2012 [**POL00027579**]). I do not recall any discussion of Horizon claims at that meeting.
58. Some updates were provided to the Royal Mail board on civil claims. My recollection is that this was first brought to my attention in the October 2011 report by Royal Mail's Company Secretary on a number of matters, including material litigation (Royal Mail Holdings plc Board, Company Secretary's Report, October 2011 [**RMG00000126**]). It was raised again at a Royal Mail ARC meeting held in November 2011 (Royal Mail Holdings plc ARC minutes 17 November 2011 [**RMG00000007**]), where it was stated that "*Horizon claims were a contingent liability which was considered remote*". I have seen from documents provided to me by the Inquiry that the Royal Mail ARC was provided with an update on challenges to Horizon at a meeting held on 8 December 2011 (Royal Mail Holdings plc ARC minutes 8 December 2011 [**RMG000000003**]). The paper dated December 2011 and presented to the Royal Mail ARC addressed Horizon controls and POL's relationship with Fujitsu and provided a brief summary of subpostmaster challenges to Horizon ("*Update on Post Office*

Limited Horizon Controls and Relationship with Fujitsu [RMG00000083]). The Committee noted that POL had dismissed and prosecuted a number of subpostmasters and Crown staff following financial losses in branches. A small number had defended those prosecutions and claims by POL for civil recovery of funds on the basis of faults with Horizon.

59. I have been asked by the Inquiry to what extent I or Royal Mail became involved in (a) the response to MPs, such as Lord Arbuthnot and Oliver Letwin MP, who raised concerns about Horizon; (b) the investigation by Second Sight into the Horizon IT System; (c) the Initial Complaint Review and Mediation Scheme; and (d) the review of past convictions of subpostmasters for theft, false accounting and offences under the Fraud Act 2006, including the CCRC's investigation.
60. I had no involvement in any of those matters. However, I was aware that James Arbuthnot MP, now Lord Arbuthnot, had met with Alice Perkins (Chairman, POL) (as is recorded in the minutes of the POL board meeting held on 15 March 2012 [POL00021505]). Alice Perkins noted that she hoped that she could find a way to convince Lord Arbuthnot and other MPs that the Horizon system was not at fault. It was noted that it might mean looking at a further independent study of the issues. As mentioned in paragraph 35 above, I remember saying at this board meeting that an independent review into Horizon should be carried out and that this was agreed by Alice Perkins and the board.
61. It is possible that the minutes of the March 2012 meeting noted that there might need to be a further independent study of the issues because I had raised that point then. I called for that to occur because, by that stage, there had been the Private Eye report and POL understood there might be 55 to 150 claims brought

by former subpostmasters, and the board was also being told that an MP was questioning the integrity of Horizon. As mentioned above (paragraph 35), I also recall being made aware of an increase in the trend of prosecutions in recent years. That raised a concern with me that the increase in prosecutions could be as a result of issues with Horizon. My recollection was that the board and Alice Perkins agreed that an independent review should be carried out. The March 2012 meeting was the last meeting of the POL board that I attended. I do not know what steps were taken to progress the review after that date.

62. I do not recall whether Royal Mail was involved in discussions with Lord Arbuthnot or other MPs and I do not believe Royal Mail was involved in Second Sight's investigation, the Initial Complaint Review and Mediation Scheme, or the review of past convictions of subpostmasters. However, I do recall that I later asked Jon Millidge (the Group HR Director and Company Secretary) whether he knew or had heard about the conclusions of Second Sight's investigation. I recall that he said that no evidence of systemic issues with Horizon had been found. I do not recall when that conversation took place, but it was not at a board meeting.
63. I have not discussed any of the matters set out above with HM Government officials. Aside from Jon Millidge, I remember that Orna Ni Chionna, another non-executive director of Royal Mail, called me to speak about Horizon. I believe this to have been around May 2022 when Inquiry hearings commenced.
64. I have been asked by the Inquiry to what extent I or Royal Mail investigated complaints raised by current or former subpostmasters concerning Horizon independently of POL. I did not have any personal involvement in any

investigations and do not know to what extent Royal Mail investigated any complaints raised.

SEPARATION OF POL AND ROYAL MAIL

65. Royal Mail and POL formally separated on 1 April 2012. My involvement in the detail of the separation of Royal Mail and POL was limited. As mentioned earlier in this statement, I was nominated by Royal Mail to be a non-executive director on the POL board. As I was also a Royal Mail board member, I was not involved in discussions regarding the commercial arrangements between the two companies given the conflict of interest.
66. To my knowledge, there were no discussions involving the board (I am not aware of any involving management) regarding where responsibility would sit for Horizon, the investigation and prosecution of subpostmasters, the pursuit of civil claims, or past liabilities. It seemed obvious that matters relating to the POL business would sit with POL.
67. The Inquiry has asked me to consider an email chain between Alice Perkins, Paula Vennells and Martin Edwards dated 12 July 2013 with the subject of "Donald Brydon call" [POL00191953]. In the chain of emails, Martin Edwards stated "8. *Second Sight – Susan briefed Jon M on Monday and shared our press statement. He was relaxed, clearly just saw it as our problem.*" I assume that "Jon M" is a reference to Jon Millidge.
68. I did not see the Second Sight interim report and do not know whether anybody else at Royal Mail saw it. I do not recall it being brought to the Royal Mail board or discussed in board meetings. As set out above, I have a recollection of

speaking to Jon Millidge about the outcome of Second Sight's investigation and recall that he indicated that no systemic issues had been identified.

69. By July 2013, the separation of POL and Royal Mail had taken place, so the Second Sight investigation and issues around Horizon more broadly fell outside of Royal Mail's remit. However, there continued to be reputational risks for Royal Mail as I refer to below (see paragraphs 71 to 74).
70. I have been asked by the Inquiry about my knowledge of (a) Simon Clarke's advice on the use of expert evidence relating to the integrity of the Fujitsu Services Ltd Horizon System of 15 July 2013 [POL00006357]; (b) Simon Clarke's advice on disclosure and the duty to record and retain material of 2 August 2013 [POL00129453]; and (c) Deloitte's Project Zebra briefing dated 4 June 2014 which followed and was further to their report "Horizon: Desktop review of assurance sources and key control features" dated 23 May 2014, responding to five specific matters identified by POL as critical to POL's legal position [POL00028069]. I had left the POL board prior to the creation of those documents and did not see, or have any knowledge of them, when they were prepared. I have only become aware of them as a result of the Inquiry.

ROYAL MAIL'S PROSPECTUS

71. In September 2013, HM Government announced that there would be an initial public offering of Royal Mail's shares and the prospectus was published on 27 September 2013. I have been asked to comment on two documents provided to me by the Inquiry, an email chain between ShEx and Freshfields Bruckhaus Deringer LLP dated 18 September 2013 with the subject "Prospectus – POL

comments” [UKGI00002054] and an email chain between Martin Edwards, Paula Vennels and others dated 20 September 2013 with the subject “Prospectus update” [POL00381747]. The emails indicate that I wanted to include a reference to Horizon in the IT risks section of Royal Mail’s listing prospectus. It appears that there was pushback from POL and the ShEx POL team on any wording relating to Horizon being included in the prospectus.

72. Whilst I do not recall raising the point that Horizon be referred to in the prospectus, I do not dispute that it is something I did raise given my recollection of the trendline of prosecutions and that an independent review of Horizon was being carried out. I did not believe that issues with Horizon would have posed a financial risk to Royal Mail, but I recall believing that there may be a material reputational risk to Royal Mail if it turned out that POL were prosecuting subpostmasters wrongly. I thought that this could result in reputational damage to Royal Mail due to its previous ownership of POL.
73. I note that whilst no specific reference is made to Horizon in the Royal Mail prospectus, the following wording is included, which in effect includes the risk I had raised:

“The Group faces a number of risks arising out of its relationship with POL... There remains a perception on the part of some customers of the Group and some members of the general public in the UK that the “Post Office” and “Royal Mail” are the same entity. Any failure or disruption in the Post Office branch network, and any commercial decisions taken by POL, could therefore adversely affect the reputation and brand of the Group.”

74. I was not sent the emails referenced in [UKGI00002054] or [POL00381747] and I do not recall seeing them before they were provided in the Request. I do not think it was appropriate for POL or the ShEx POL team to aggressively push for changes to the wording in Royal Mail's prospectus as it was Royal Mail's responsibility to ensure that the prospectus listed all the material risks relevant to Royal Mail's business. However, there were a number of people advising on the content of the prospectus including lawyers, bankers, auditors, Royal Mail board members and senior executives. It is highly likely that it was thought, on balance, taking into account the views of all these parties, that Horizon did not pose a material risk to Royal Mail's business warranting a specific mention in the prospectus.

GENERAL

75. I have been asked to reflect on my time at Royal Mail and POL and whether I would have handled anything differently in hindsight. Given the information that I received at the time, together with the management assurances given, I do not think that there was anything I could have done differently. As soon as I formed a concern about a possible correlation between the uptick in prosecutions and the implementation of the Horizon system I pressed for an independent review and understood that this was agreed by the POL board.

76. I do believe the Second Sight review should have been handled differently.
Second Sight should have been able to carry out a proper independent review
that reported directly to the POL board or a committee of the board.

STATEMENT OF TRUTH

I believe the content of this statement to be true.

Signed:

GRO

Dated: 9 October 2024

Index to First Witness Statement of Arthur Leslie Owen

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control Number</u>
1.	POL00294837	Report prepared by Rod Ismay titled "Horizon – Response to Challenges Regarding Systems Integrity" and dated 2 August 2010	POL-BSFF-0132887
2.	RMG00000004	Minutes of Royal Mail Holdings plc Audit & Risk Committee meeting held on 13 May 2010	VIS00007412
3.	RMG00000005	Minutes of Royal Mail Holdings plc Audit & Risk Committee meeting held on 20 May 2011	VIS00007413
4.	POL00021499	Post Office Limited – Board of Directors – Minutes of meeting held on 27 May 2011	POL0000032
5.	POL00021500	Post Office Limited – Board of Directors – Minutes of meeting held on 4 July 2011	POL0000033
6.	POL00030217	Ernst & Young management letter for the year ended 27 March 2011 dated August 2011 and addressed to Post Office Limited	POL-0026699
7.	RMG00000003	Minutes of Royal Mail Holdings plc Audit & Risk Committee meeting held on 8 December 2011	VIS00007411
8.	POL00029114	Post Office Limited - Review of Key System Controls in Horizon: Assurance Review (Draft 11/005) dated February 2012	POL-0025596
9.	POL00030482	Post Office Limited - Review of Key System Controls in Horizon, Assurance Review Report dated March 2012	POL-0026964

10.	POL00021503	Post Office Limited – Board of Directors – Minutes of meeting held on 12 January 2012	POL0000036
11.	POL00405910	Email from Donald Brydon to Paula Vennells and others dated 29 September 2011 with the subject “Class Action”	POL-BSFF-0231758
12.	POL00095595	Significant litigation report (POLB (12)13) prepared by Susan Crichton for the meeting of the Post Office Limited Board of Directors held in January 2012	POL-0095178
13.	POL00095835	Post Office Limited Litigation Matters – Commercial Litigation (POLB (12)23) provided to the Post Office Limited Board of Directors in January 2012	POL-0095418
14.	POL00096033	Post Office Limited Matters – Dispute Resolution (POLB (12)42) provided to the Post Office Limited Board of Directors in February 2012	POL-0095616
15.	POL00027579	Post Office Limited – Board of Directors – Minutes of meeting held on 9 February 2012	POL-0024220
16.	RMG00000126	Report by the Company Secretary of Royal Mail Holdings plc on a number of matters, including material litigation dated October 2011	VIS00013025
17.	RMG00000007	Minutes of Royal Mail Holdings plc Audit & Risk Committee meeting held on 17 November 2011	VIS00007415
18.	RMG00000083	Paper provided to Royal Mail Holdings plc’s Audit & Risk Committee addressing Horizon controls and POL’s	VIS00009942

		relationship with Fujitsu and providing a brief summary of subpostmaster challenges to Horizon dated December 2011	
19.	POL00021505	Post Office Limited – Board of Directors – Minutes of meeting held on 15 March 2012	POL0000038
20.	POL00191953	Email chain between Alice Perkins and others, dated 12 July 2013 with the subject “David Brydon call”	POL-BSFF-0030016
21.	POL00006357	Simon Clarke’s advice of 15 July 2013 on the use of expert evidence relating to the integrity of the Fujitsu Services Ltd Horizon System	POL-0017625
22.	POL00129453	Simon Clarke’s advice of 2 August 2013 on disclosure and the duty to record and retain material	POL-0134937
23.	POL00028069	Deloitte draft Project Zebra briefing further to report “Horizon: Desktop review of assurance sources and key control features”, dated 4 June 2014	POL-0023072
24.	UKGI00002054	Email chain between Shareholder Executive and Freshfields, dated 18 September 2013 with the subject “Prospectus – POL comments”	UKGI012868-001
25.	POL00381747	Email chain between Martin Edwards and others, dated 20 September 2013 with the subject “Prospectus update”	POL-BSFF-0208634