

Witness name: Sarah Bell

Statement number: WITN11630100

Dated: 30 October 2024

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF SARAH BELL

I, Sarah Carolynne Bell, will say as follows...

Introduction

1. I am Sarah Bell, a Partner in Grant Thornton UK LLP ("**GT**"). This is my first witness statement in connection with the Post Office Horizon IT Inquiry (the "**Inquiry**").
2. The purpose of this witness statement is to provide evidence in response to a request from the Inquiry dated 12 September 2024, which was made pursuant to Rule 9 of the Inquiry Rules 2006 (the "**Request**"). Accordingly, this statement will cover:
 - (a) The engagement between Post Office Limited ("**POL**") and GT, in respect of a corporate governance review (the "**CGR**");
 - (b) The work undertaken as part-age of the CGR; and

(c) The process followed by GT in finalising the CGR Report (the "**Report**") (POL00446477), which is dated 25 June 2024.

3. I have prepared this witness statement with the assistance of my solicitors, Osborne Clarke LLP.

Engagement

4. GT was appointed by POL for the CGR following a competitive tender process. The Tender Documents (the "**ITT**") (WITN11630104), which were issued on 24 February 2023, stated that POL was seeking:

"an expert to evaluate its current corporate governance framework, practices and procedures to determine whether they meet the appropriate standards, taking into account its ownership structure, commitment to social purpose and strategy to maintain commercial sustainability."

5. GT was informed that it would be awarded the contract on 22 March 2023. However, it took around six months for the engagement documents (the CGR Contract dated 12 October 2023 and Engagement Letter, together the "**Engagement Documents**") (WITN11630107 and WITN11630106) to be completed.

6. Based on the exchanges related to the scope and associated mark-ups of the Engagement Documents between POL and GT, my understanding was that POL's main deliberation revolved around style and structure of the output. The deliberation centred around whether the CGR output should be guided by Rule 35 of the Civil Procedure Rules, which is more forensic in nature, focused on

evidencing the current position, strengths and weaknesses, or whether it should take the form of an objective consulting project which focuses on commenting on POL's current governance position with improvements, market insights, considerations and recommendations outlined for the purposes of addressing key findings. The difference between these two approaches lies in the style and the extent to which opinion and recommendations feed into the report.

7. Ultimately, it was concluded by POL that the latter course was more appropriate which in my opinion aligns with the initial aims and objectives outlined in the ITT.
8. The Engagement Documents to undertake the CGR were signed on 12 October 2023. POL's objectives were summarised in the CGR Contract as follows (noting that for the purpose of the below, POL is defined as "**the Company**"):

Assist the Company in understanding:

(A) Whether the Company's current corporate governance framework, practices and procedures, across the tiers of management and governance structures, meet the appropriate standards (referred to above)¹, taking into account its ownership structure, commitment to social purpose and strategy.

(B) The changes the Company should consider making to improve its corporate governance framework, practices and procedures, across the tiers of

¹ The standards "referred to above" were: "For this purpose, the appropriate standards would be the UK Corporate Governance Code 2018 mapped against the Central Government Code 2011 save to the extent that you consider that during your work, given the Company's unique corporate complexion, the aforementioned industry standards are not applicable in any respect. In the case of the latter, you should make this clear in the Report and suggest alternative ways in which the Company's current corporate governance framework could be enhanced and/or revised in order to better align with the Company's purpose and strategic objectives and/or best practice of organisations of a similar size and who operate in the similar markets and sectors." (POL00363146)

management and governance structures, to meet the appropriate standards (referred to above).

(C) The changes the Company should consider making to improve its corporate governance framework, practices and procedures, across the tiers of management and governance structures, to improve accountability, responsibility, fairness, and enable clearer and faster decision making.

(D) The changes the Company should consider making to improve its corporate governance framework, practices and procedures, across the tiers of management and governance structures, to enable greater transparency and responsiveness.

(E) How any such recommended changes fit in with a wider programme of change within the Company, and in particular Programme Ethos, which provides oversight of the various transformation workstreams and identifies areas of mutuality. Further details of which will be provided at the kick off meeting.

9. In order to achieve these objectives, GT agreed to undertake a review of the governance processes and structures across:

- (a) The Board to Executive Group sub-committee level;
- (b) The Business Unit Level;
- (c) Any other individual or groups who have decision making processes concerning the governance of the organisation delegated to them as identified by the Company; and

- (d) The interaction between those entities caught by the above.

Work

- 10. We commenced our fieldwork in October 2024.
- 11. In delivering the CGR, my team, consisting of: Jonathan Houston, Irina Velkova, Gabriella Demetriou, Neal Dempsey, Lande Adesanya and I worked closely with what I will call the "**POL Project Management Team**", which consisted of:
 - (a) Chrysanthy Pispinis, POL Chief of Staff;
 - (b) Rachel Scarrabelotti, POL Company Secretary; and
 - (c) Mark Underwood, POL Legal, Compliance & Governance Operations Director .
- 12. In order to achieve the objectives for the CGR, GT undertook a range of workstreams, as outlined in the ITT response, focused on gathering evidence via various formats to inform the conclusions and recommendations in the CGR namely:
 - (a) A diagnostic governance effectiveness survey. GT and its third-party survey partner, BoardClic, conducted two separate online surveys in November 2023: the Management Team Evaluation Survey(WITN11630102) and the Governance Review Survey (WITN11630103). An interactive survey template was sent to the board and separately to the identified senior leadership group with formats that have been designed, and used on other governance assignments, with

reference to the requirements of the UK Corporate Governance Code and the Companies Act 2006.

- (b) Between October and December 2023, my team and I interviewed 29 people at POL covering both board and senior executive positions (the **"Interviewees"**). The interviews were informed by an Interview Template (WITN11630105) which sought to unpack the practical effectiveness of governance structures in informing decision making. Discussions also explored themes arising through the survey, board function observation, management effectiveness and document review.
 - (c) We also undertook a limited document review of around 250 documents covering foundational governance documents, committee structures, terms of references, delegation of responsibilities, committee and board minutes, business plans, skills assessments and ongoing reviews. This document review finished in mid-January 2024.
13. While completing the work, my team and I had regular check-ins with the POL Project Management Team and we would send a Weekly Project Update (WITN11630101) outlining progress in terms of evidence gathering, share initial observations and where we were against budget.
14. Aside from some limited slippage in the programme due to the availability of the relevant witnesses, largely over the holiday period, the CGR progressed well and I received the required level of assistance from the POL Project Management Team and the Interviewees that we spoke to.

15. As a result, we were able to conclude our fieldwork by 31 January 2024, i.e. largely in line with the originally envisaged timetable.

The Report

Draft 1

16. Following the conclusion of our field work, GT prepared a first draft of the Report, which was provided to the POL Project Management Team on 6 February 2024 ("**Draft 1**") (POL00448770). The purpose of sharing this draft was to allow the POL Project Management Team to comment on any perceived factual inaccuracies in the Report before it was shared more widely. This is normal and in line with processes we follow on other similar assignments.
17. The POL Project Management Team fed back that Draft 1 aptly identified the issues that POL faced. They also identified some points of clarification and comments/considerations on how to structure the key findings more clearly.
18. Once my team and I had made revisions to Draft 1, we provided a second draft to the POL Project Management Team on 4 March 2024 ("**Draft 2**") (POL00448771).

Draft 2

19. There was a significant delay between the provision of Draft 2 on 4 March 2024 and the final version of the Report being signed on 25 June 2024 (POL00446477). This was not caused by additional work being undertaken, or extensive changes. Instead, it was a result of governance changes at POL, most notably, the departure of Henry Staunton as Chair of the POL board in late

January 2024.

20. Given the importance of the Report, my understanding, based off meetings with the POL Project Management Team, was that the POL board felt the report could not be finalised until a Chair was appointed, which parties thought may be imminent. While Nigel Railton was appointed interim Chair in May 2024, my understanding was that the POL board had other pressing matters to address, which took priority over finalising the Report at the first Board meeting. POL's challenging circumstances are summarised on pages 5 and 6 of the Report (POL00446477).

8 March 2024

21. On 8 March 2024, I had a meeting with Nick Read (POL CEO) and Ben Tidswell (POL Senior Independent Director), at which we discussed how to present the Report to the board. We did not discuss any changes to the Report at this stage.

25 March 2024: board meeting

22. I gave a short Board Presentation on Draft 2 at the POL board meeting on 25 March 2024 (POL00448861). I briefly set out the findings and key recommendations of the CGR and this was followed by a short discussion by the board. The board discussion focused on what to do as a result of our findings. I did not face any push back on the Report's findings or content. I consider that their reaction was reasonable and proportionate.
23. My view was that the board understood that the CGR contained some serious, critical findings and that they were committed to addressing these. Given timing

constraints, it was agreed that the findings of the CGR would be dealt with at the board strategy day in July 2024 at which point a permanent Chair would be in place.

24. Following the 25 March 2024 board meeting, the board was provided with Draft 2. In May and June, my team and I received comments from five POL board members. The details of their comments, a combination of verbal and written are set out later in this statement:

- (a) Amanda Burton ("**Amanda**")²
- (b) Simon Jeffreys ("**Simon**")³
- (c) Nigel Railton ("**Nigel**")⁴
- (d) Ben Tidswell ("**Ben**")⁵
- (e) Lorna Gratton ("**Lorna**")⁶

1 and 2 May 2024

25. I received Written Comments on Draft 2 from Amanda and Simon (POL00458036 and POL00458035) in the form of attachments to an Email From Rachel Scarrabelotti on 21 May 2024 (WITN11630108). Many of the comments that we received from Amanda and Simon, went to perceived factual inaccuracies in Draft 2. However, many of these arose as a result of changes

² Amanda is also a Non-executive Director, Chair of the Remuneration Committee and member of the Nominations Committee.

³ Simon is a Non-executive Director, Chair of the Audit, Risk and Compliance Committee and member of the Nominations Committee.

⁴ Nigel is Chairman of the POL board.

⁵ Ben was Senior Independent Director during the relevant period.

⁶ Lorna is a Non-executive Director, Member of the Audit, Risk and Compliance Committee, the Investment Committee, the Nominations Committee, the Remuneration Committee and the Remediation Committee. Lorna is the representative for UK Government Investments on the POL board.

already made by POL in the period between the conclusion of GT's fieldwork and finalising the Report, which were not reflected in Draft 2. While I understood why these comments came in to us, it was important to note that we had to report on what we had observed/gathered evidence on up to 31 January 2024 and could not continually re-review for further actions taken following that date.

26. The only substantive change made to the Report in response to the comments from Amanda and Simon was to remove the suggestion for a split board, found at page 24 onwards of Draft 2 (the "**Split Board Recommendation**") (POL00448771). I address this in more detail below, as other POL board members also felt the same.

21 May 2024

27. I met with Nigel and Ben to discuss Draft 2 on 21 May 2024. I opened this meeting by explaining to Nigel the background to the scoping of the CGR and then summarised our findings. Both Nigel and Ben agreed that the key findings generally aligned with their observations. Nigel's main comment was to request that the Report was made clearer in terms of its findings in order to elevate the recommendations so that POL could start to debate, develop an action plan and implement them as fast as possible. Nigel did not raise any concerns in respect to inaccuracies in Draft 2.
28. Ben's role in this meeting was to facilitate the discussion, having been closer to the CGR than Nigel.
29. The only substantive change that Nigel and Ben wanted to discuss was the Split

Board Recommendation.

30. For completeness, I note that there were some language changes between Draft 2 and the Report. This is usual when producing a report of this nature once speaking with the project sponsor, as we work with client teams to ensure that the language used would work for them. In the case of the Report, we wanted to ensure that the language gave the best opportunity for fast adoption and buy in from stakeholders.

Split Board Recommendation

31. As outlined above, the only substantive change between Draft 2 and the Report was the removal of the Split Board Recommendation. While this came about following feedback from the POL board (as outlined above), I fully agreed with the points raised, following discussion. The findings that the Split Board Recommendation in Draft 2 had been seeking to address were the lack of clear purpose of POL, the objectives and relationship with POL's shareholder, the clarity around roles and accountabilities between POL Board and its shareholder and its perceived influence on the day to day running of POL.
32. Those findings remained unchanged between Draft 2 and the Report. However, the options available to POL to address these findings were numerous and varied, and the Split Board Recommendation, while one that I thought was worth illustrating as a potential mechanism for addressing certain findings (as outlined in point 31), was not the only valid option. When discussing this with various stakeholders within POL, in the context of the wider Report, we highlighted that the Split Board Recommendation, while an option, was dependent on many

other recommendations within the report being addressed as a priority. During discussion at board level it was considered that the ability to explore the feasibility of this recommendation also extended beyond the remit of just the POL Board. On that basis, I considered that it should be removed from the Report as it was premature in the phasing of what needed to be considered and addressed in terms of the ambitions and objectives of our scope. I stress here that I never felt under any pressure to make this change, I agreed with it, and the critical findings from which it arose remained unchanged.

13 June 2024

33. I received an Email From Lorna (WITN11630109) regarding some comments clarifying aspects of her role as Shareholder Representative as described in page 9 of the Report, in which she attached a copy of her Appointment Letter (POL00363050) given we had not seen this document during our fieldwork period. The resulting change was a point of clarity and it did not result in substantive changes to the Report.

25 June 2024

34. On 25 June 2024, we issued the final version of the Report (POL00446477). As outlined above, following input from the POL board, the structure of the Report had changed to make the findings and recommendations clearer (by moving more of the evidential points to the back-end) and the Split Board Recommendation had been removed.

General

35. As is evidenced by the above, no POL board member (or anyone else from POL for that matter) ever exerted improper pressure on me or my team to make changes to the Report. The changes that were made between the first two drafts were made to ensure factual accuracy and to make stylistic changes.
36. The changes then in the final Report were as a result of feedback on presentation and work to make key findings and recommendations clearer. The only substantive change, to remove the Split Board Recommendation, was after proper discussion and challenge about how POL could best achieve a report that clearly delivered our findings and key, actionable, recommendations. I agreed, having received comments and feedback, that including the Split Board Recommendation would not achieve those aims.
37. I therefore remain confident that the Report contains all the relevant matters required by our engagement and I stand by the conclusions reached.

Steps after Report delivery

38. Following the delivery of the Report, I attended a strategy day for the board on 8 July 2024, at which the board considered the report and the resulting Action Plan prepared by POL Management and presented by Rachel Scarrabelotti (POL00448414). While I was there as an observer, I was encouraged to see that the board was taking the Report findings and recommendations seriously and working to distil recommendations into an action plan with associated accountabilities clearly outlined.
39. Following the strategy day, I have had little input from POL on the progress

following the Report, but I am aware that a separate strategy review is ongoing,
on which many of the steps in the Report are dependent.

Statement of truth

I believe the content of this statement to be true.

Signed:

GRO

Dated: 30 October 2024

Index to First Witness Statement of Sarah Bell

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control Number</u>
<u>1.</u>	POL00446477	CGR Report – 25 June 2024	POL-BSFF-099-0000003
<u>2.</u>	WITN11630104	Tender Documents – 24 February 2023	WITN11630104
<u>3.</u>	WITN11630107	CGR Contract – 12 October 2023	WITN11630107
<u>4.</u>	WITN11630106	Engagement Letter – 12 October 2023	WITN11630106

<u>5.</u>	POL00363146	The UK Corporate Governance Code – July 2018	POL-BSFF-0191149
<u>6.</u>	WITN11630102	The Management Team Evaluation Survey – November 2023	WITN11630102
<u>7.</u>	WITN11630103	The Governance Review Survey – November 2023	WITN11630103
<u>8.</u>	WITN11630105	Interview Template	WITN11630105
<u>9.</u>	WITN11630101	Weekly Project Updates (example – 8 December 2023)	WITN11630101
<u>10.</u>	POL00448770	Draft 1 of CGR Report – 6 February 2024	POL-BSFF-127-0000002
<u>11.</u>	POL00448771	Draft 2 of CGR Report – 4 March 2024	POL-BSFF-130-0000029
<u>12.</u>	POL00448861	POL Board Meeting – 25 March 2024	POL-BSFF-130-0000029
<u>13.</u>	WITN11630108	Email From Rachel Scarrabelotti – 21 May 2024	WITN11630108
<u>14.</u>	POL00458036	Written Comments on Draft 2 of CGR Report from Amanda Burton – 1 May 2024	POL-BSFF-137-0000014

<u>15.</u>	POL00458035	Written Comments on Draft 2 of CGR Report from Simon Jeffreys – 2 May 2024	POL-BSFF-137-0000013
<u>16.</u>	WITN11630109	Email From Lorna Gratton – 13 June 2024	WITN11630109
<u>17.</u>	POL00363050	Lorna Gratton's Appointment Letter – 11 May 2023	POL-BSFF-0191079
<u>18.</u>	POL00448414	Action Plan prepared by POL Management and presented by Rachel Scarrabelotti as at 26 July 2024	POL-BSFF-119-0000002