

Witness Name: Thomas Cooper  
Statement No: WITN00200200  
Dated: 3 September 2024

## POST OFFICE HORIZON IT INQUIRY

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### Second Witness Statement of Thomas Cooper

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I, Thomas Cooper, will say as follows:

1. I am employed by UK Government Investments (“UKGI”) and hold the position of Director, a position I have held since November 2017. This is the second statement that I have made to the Inquiry, my first statement being dated 13 June 2024 [WITN00200100]. This second statement is made in response to a Rule 9 Request made by the Inquiry dated 11 July 2024 (“Rule 9(2)”). In this statement, I have sought to address each of the questions posed by the Inquiry in Rule 9(2) either by responding to the question directly, or by cross-referring to my first witness statement where I consider the question posed has already been responded to in that statement. I have also referred to relevant contemporaneous documentation in support of my responses, to the extent that I have considered this to be of assistance to the Inquiry, and have exhibited key documents as requested.

#### Background/Work History

2. I have summarised my professional background and career history, including my appointment as the Shareholder Non-Executive Director (“Shareholder NED”) on the Board of Post Office Limited (“POL” or the “Company”) in paragraphs 4-8 and 12-13 of my first witness statement.
3. I have also explained my understanding of and experience with the Horizon IT system (“Horizon”) throughout my first witness statement and, in particular, in paragraphs 31-33.

## **Experience on the Board**

### *Induction, Training and Briefings*

4. As I explained in my first witness statement, I served as the Shareholder NED on POL's Board from March 2018 to May 2023. I described my experiences in that role throughout my first statement and provided a summary of these in paragraphs 9-30.
  
5. In terms of my induction and training for my role on POL's Board, I attended a two-day NED training course with the Institute of Directors in April 2018 (paragraph 12 of my first witness statement). This was arranged by UKGI at my request. I did not receive separate training from POL, but as I explained in my first statement (at paragraph 22), my induction process included a series of meetings with POL's management team and the other Board members at which I was able to ask questions and gain an initial understanding of how the Company operated and establish working relationships with the key people involved in running and overseeing the business. It was also open to me to seek further one-to-one meetings on specific issues on which I felt I needed a more detailed briefing, and I gave an example in my first statement (at paragraph 97) of a meeting I initiated with Jane MacLeod, POL's General Counsel at the time, to obtain a better understanding of the group litigation in which POL was engaged (the "GLO"). In addition, I led a team within UKGI that was focussed on POL matters (the "Shareholder Team") and my colleagues provided me with background information about the Company. I received briefings from Richard Callard, my predecessor Shareholder NED. I also had access to UKGI's General Counsel, Elizabeth O'Neill, who provided me with a valuable briefing on the role the Shareholder Team should play in relation to the GLO in light of the recent Magnox Inquiry (as described in my first statement at paragraphs 26-27).
  
6. At the time, I did not have any concerns about my induction to the role, nor did I feel that I required any additional training. Reflecting on those issues now, I continue to believe that my induction to the role was satisfactory and did not

give rise to any major issues. In relation to the contents of the briefings I received on the issues now being considered by the Inquiry, I refer to, and adopt, the evidence set out in my first witness statement at paragraphs 22-33.

*POL's corporate governance arrangements*

7. In paragraphs 35-42 of my first witness statement, I briefly described POL's corporate governance arrangements by reference to the directors' duties under the Companies Act 2006, POL's Articles of Association (the "Articles"), other key documents that regulated the Shareholder's relationship with POL as well as POL's commitment to comply with the UK Corporate Governance Code. My first statement was concerned primarily with the period from my appointment as the Shareholder NED in March 2018 up to early 2020 and the immediate aftermath of the GLO settlement. As I have explained above, I remained on the Board for a further period of approximately three years, before stepping down in May 2023 and the reflections on POL's corporate governance arrangements I set out below relate to that latter period.
8. Dealing first with the governance arrangements for the Board, in general terms, the framework within which the Board operated was appropriate and fit for purpose. I deal with the issue of Board composition in detail below but, in summary, the Board consisted of a group of experienced and engaged directors with an appropriate range of expertise and experience.
9. The Board met very frequently during the period from 2020-2023 and I note, for example, that the full Board met 52 times during the course of the 2020/2021 financial year, partly due to Board's desire to give very detailed consideration to the cases that had been rereferred to the Court of Appeal by the Criminal Cases Review Commission ("CCRC"). The Board's Audit and Risk Committee ("ARC"), Nominations Committee ("NomCo") and Remuneration Committee ("RemCo") continued to meet regularly during this period. A new sub-committee, the Historical Remediation Committee ("HRC") was established in August 2021 to provide oversight of the various compensation workstreams, including the Board's work in relation to overturned convictions. The HRC initially met every one to two weeks, and then monthly.

10. HRC was chaired by Ben Tidswell, who was a lawyer, and I found it to be an effective sub-committee. HRC dealt primarily with POL's Historical Matters Business Unit (which later became the Remediation Unit) ("HMBU") and the communication between the HRC and the HMBU was extensive and regular. HRC called for large amounts of information and scrutinised the remediation issues in detail.
11. The workload of the Board and its sub-committees was intense, but the Board was committed to addressing the very significant issues the Company faced and went about that task with commitment. The terms of reference for the Board and its sub-committees were clear and I considered the division of labour and expertise within the Board to be appropriate. Towards the end of my tenure, I recall suggesting that the Board would benefit from the establishment of an investment sub-committee, particularly to oversee the New Branch IT programme ("NBIT") to replace Horizon with a new computer system. This suggestion was not taken up at the time but I understand that such a sub-committee was established subsequently.
12. There was no shortage of challenge to POL's management by the Board and, in general terms, the relationship between the Board and POL's executive improved significantly from 2020 onwards with the executive adopting a more open approach to its interaction with the Board. However, the volume and range of issues that were being brought to the Board could result in agendas that were lacking in strategic coherence, which was an observation made by the Independent Audit review of Board effectiveness conducted in March 2021 [UKGI00017887] (at paragraph 20). Papers presented to the Board were detailed and generally of good quality (as noted by the Independent Audit report at paragraph 24). There is always room for improvement when it comes to Board papers, and the NEDs were noted (at paragraph 25) to be looking for further improvements in the quality of papers, but the flow of information into the Board was generally satisfactory.
13. Although the flow of information into the Board from POL's management was generally good, and an improvement from the position when I joined the Board

in 2018, there were some issues in respect of which I considered the timeliness and detail of the information provided to the Board by POL's management was lacking. It should be noted, however, that the circumstances in which the Company was operating in this period were very challenging. I deal below with the handling by POL of the NBIT programme.

14. The decision was taken in 2020 to commission a new, bespoke IT system to replace Horizon, but the programme ran into difficulties quite quickly generating delays and very significant increases to the projected costs. My recollection is that, as the nature and extent of the problems grew, the flow of information was not as extensive or as prompt as it should have been. Given the scale and importance of the NBIT programme, in 2020, the Shareholder Team recommended that the Department for Business, Energy and Industrial Strategy ("BEIS") (now the Department for Business and Trade ("DBT"), collectively the "Department") should have its own oversight of the NBIT programme. In 2021, it was agreed that the Department's investment committee, called PIC, would provide additional oversight to that of POL's Board. Another example was the provision of information about POL's legal costs. POL did not have a satisfactory method for forecasting legal costs until relatively late in my tenure. As a result, the management team was not able to evaluate the effectiveness of the costs being incurred nor explain adequately deviations between budgets and actual costs incurred. This matter was escalated and discussed with BEIS and an agreement was reached with POL that better pricing, forecasting and understanding of where additional costs were being incurred was needed. The Shareholder Team also worked with POL on modelling and monitoring its legal costs.
15. The central issue, from my perspective, was not with the adequacy of the corporate governance arrangements themselves, which were essentially fit for purpose, but with the sheer range and scale of the problems that the Company was having to address. POL is a complex and multi-faceted business which will always present significant challenges but, in this period, it also had to deal with compensation issues, overturned convictions, the Inquiry, designing and implementing a major IT project, securing government funding, implementing

the findings of the Common Issues Judgment (the “CIJ”) and Horizon Issues Judgment (the “HIJ”), and a fundamental overhaul of its corporate culture. The combination of these challenges inevitably put POL’s management team and the corporate governance arrangements under strain. The need to have a vastly expanded number of Board meetings added to the workload of POL’s management team. All of these factors will have contributed to management finding it difficult to cope with the workload and a reduced level of focus in a number of important areas.

16. I note that one of the key findings of the Board evaluation exercise presented to the Board meeting on 29 March 2022 [POL00438073] was that: *“there is a recognition of the pressure on management, driven by the demands of the historical matters and funding uncertainty, which in turn affects the materials provided to the Board, the time available to focus on running the business today, developing future strategy, understanding competitors and marketing developments, developing the Board and reviewing past decisions.”* This is a fair reflection of my perception at the time. I also agree with the comment recorded at page 11 to the effect that the range and complexity of the difficult issues being brought to the Board meant that the Board and management had insufficient time to deal with strategy as it had to focus on operational issues: *“we look at strategy but once a year and I see other boards being much closer to ensuring the agreed strategy is being delivered. As I said before I fear NEDs are getting overly operational.”*
17. There were also occasions when the effectiveness of the Board and its sub-committees were compromised by instability within POL’s management team and the difficulty this caused in obtaining a clear and consistent understanding of how particular issues were being handled. To take one example, during my tenure POL employed five different executives responsible for the HR function (Martin Kirke, Mo Kang, Lisa Cherry, Angela Williams and Jane Davies). By way of a further example, whilst the arrangements in relation to RemCo were adequate in terms of remit, composition and terms of reference, its effectiveness in providing oversight of the issues relating to the payment of bonuses and termination arrangements for senior members of management

was impaired by the confusion created by the presentation of a number of different proposals, formulated at different times by different individuals in POL's management team. There was a lack of clarity as to what had been approved previously, what had changed, and why it had changed. When a company is facing a variety of complex problems on a number of different fronts the importance of clarity and continuity become even more important and this was sometimes lacking during this period.

18. In relation to the evaluation of POL's Chair and Board, I am aware that Charles Donald, UKGI's Chief Executive Officer, provided a summary of both the internal and external Board Effectiveness Review ("BER") processes in his third witness statement to the Inquiry dated 2 May 2024 [WITN10770300] (paragraphs 8-26). In addition, he explained how the appraisal of individual members of POL's Board was largely an informal process until 2023, following which formal appraisals were introduced by the new POL Chair in line with UKGI's best practice guidance [UKGI00044313] (paragraphs 27-29). I confirm that his evidence on these issues as it relates to the period of my tenure reflects my own understanding of the Board evaluation process. I refer below to the internal and external Board effectiveness reviews conducted in 2021 and 2022 respectively when addressing the Inquiry's specific questions on Board effectiveness and culture.
19. As to the corporate governance arrangements for POL's management, as a Board member I did not have a detailed insight such that I can give a view of its adequacy and effectiveness in POL's day-to-day decision-making. From my perspective, although there were various changes to the executives and their responsibilities, I did not observe significant changes to the governance structures of the executive (such as the executive committee, compliance function and internal audit function) nor in the Board's delegations to management. One significant exception to this was the creation of HMBU, which was set up as a "ring-fenced" business unit primarily to deal with compensation matters arising from the GLO. It operated independently from POL's business although it reported directly to Nick Read, POL's Chief Executive Officer ("CEO"). For a period after it was established, this

arrangement created some issues in terms of the level of management oversight, which meant the Board did not have sufficient visibility as to what was causing delays in progressing the Historical Shortfall Scheme (“HSS”) in particular. Nick Read subsequently changed the way HMBU operated and the level of oversight and transparency improved over time.

20. As to the external corporate governance arrangements, namely the relationship with Shareholder and UKGI’s role on behalf of the Shareholder, these arrangements continued to be reflected in the Company’s Articles, which were updated on 1 April 2020 to include some additional Shareholder rights but did not fundamentally alter the operational relationship between POL and the Shareholder. In order to produce a more comprehensive set of expectations as to the basis of the relationship between POL, the Shareholder and UKGI, UKGI drafted a Framework Agreement, which was finalised in April 2020. The Framework Agreement was intended to be read alongside the Articles and provided the parties with greater clarity as to their respective roles and responsibilities.

*Culture of POL at Board Level and Relationship with Sub-Postmasters*

21. I have been asked to describe the culture of POL at Board level at the time I left the Board in May 2023 and my reflections as to the ways in which the culture at Board level had changed in the period following the findings of Mr Justice Fraser in the CIJ.
22. There was an independent review of the Board conducted by Independent Audit in March 2021 [UKGI00017887], which was based on: interviews with all the Board members; interviews with a number of POL’s executives and BEIS stakeholders; observations of Board meetings and meetings of Board sub-committees; and a review of Board information. The executive summary listed a number of strengths of the Board which included the following: “*the NEDs and Executive share a common goal for all stakeholders, while maintaining a strong social mission, with a particular focus on postmasters.*” It was also noted that,



in addition to dealing with the fallout from the litigation, the Board was looking forward and had been engaged in: *“Starting to foster a postmaster-centric culture, taking into account their views and needs. An important first step has been the decision to appoint two postmasters as NEDs, due to join the Board in April.”* I agreed with both of these comments.

23. At paragraphs 52-57 of the report, the reviewers addressed the issue of cultural transformation and the role of the Board in that process. It was noted that: *“the POL Board and Executive are highly attuned to the need to transform the culture and everyone is determined to make this happen. The postmasters are very much in focus now with the objective to put them at the heart of the new strategy and with postmaster-friendly behaviours being targeted. What will be important in the coming months is to build momentum around this, ensuring that the Board is able to give it enough focus in helping the Executive to drive the necessary changes. Culture change is a complex and long-term project, and the Board will need to constantly challenge itself on whether it is making enough time – both in formal meetings and outside the boardroom – to make sure that the management team are pushing the pace.”* The reviewer went on to make a series of suggestions as to how the Board might meet these objectives and I deal below with the ways in which the Board oversaw POL’s efforts to build momentum and sustain progress in this area.
24. In the period after the CIJ, there were four principal ways in which, from my perspective, the culture at Board level improved in relation to the issues with which the Inquiry is concerned. First, and as anticipated by the independent review, two postmasters were appointed to the Board in April 2021 (the “Postmaster NEDs”). I deal in some detail below with their contribution to Board discussions and decision making, and my view of the value they added to the Board. For present purposes, I would simply observe that their presence on the Board, and their ability to provide the Board with a real-world understanding of the sub-postmaster (“SPM”) perspective on the issues the Board was dealing with, was very positive in promoting a culture in which the interests of SPMs remained at the forefront of the Board’s mind.

25. Second, the appointment of Nick Read as POL's CEO had a positive effect on the culture at Board level to the extent that, during the early part of his tenure, he brought a more frank, transparent and 'no surprises' approach to management's dealings with the Board. Discussions at Board level between the NEDs and the executive were conducted in a more open and less defensive manner and the level of trust between the Board and the executive team increased. A relationship of trust between the Board and the executive team is vital to a healthy corporate culture and I considered that the constructive approach taken by the CEO to the very significant problems revealed by the CIJ and the HIJ was beneficial in starting to rebuild that relationship. That said, from my perspective the picture became less positive as time moved on and the overwhelming pressures exerted on POL's management by the combination of the concurrent challenges I outlined above contributed to the relationship between the Board and the executive coming under strain during the latter stages of my tenure.
26. Third, I found that the Board was much more willing to provide direct and robust challenge to the legal advice being received by the Company in the wake of the CIJ. I have set out a detailed account of the initial steps taken in this regard following the establishment of the Board's Litigation Sub-committee in 2018 in my first statement. After the CIJ in 2019, there was a significant evolution of the Board's oversight of the litigation strategy and the legal issues that followed the conclusion of the litigation. These issues were addressed by the full Board rather than by a sub-committee, and thus the full Board was able to provide direct challenge to the legal advice with which it was presented. Examples of this new approach would include the direct input of the Board into the formulation of the grounds of appeal and the setting of a clear strategic direction in relation to settlement both of which I addressed in my first statement at paragraphs 200 to 253.
27. Fourth, there was greater appreciation on the part of the Board of the need to properly understand the day-to-day experience of SPMs in running their business and a willingness to engage more directly with the business at a branch level. The Postmaster NEDs were a valuable resource in this regard.

My fellow Board members will need to speak to steps they took to engage more directly with SPMs and the issues they faced but my general impression is that the importance of this sort of interaction was appreciated by the Board as a whole, and to a greater extent than before the CIJ.

28. For example, I visited POL's support centre in Chesterfield on 27 November 2019 in order to gain a first-hand picture of how discrepancies were being handled and disputes resolved. I was taken through the processes used to resolve queries raised by SPMs. I also spoke to the people who were tasked with resolving disputes over shortfalls and the team responsible for initiating branch audits, suspensions and terminations. I received explanations as to what action would be taken if a shortfall was found and if agreement could not be reached with the SPM as to the cause. I listened in to a number of calls with SPMs being handled by the call centre. The impression I gained was very different from the approach described by Mr Justice Fraser in the CIJ and significant progress seemed to have been made in this area.
29. I also undertook some visits to branches and met the SPMs. For example, I visited three branches in the St Albans area in September 2021, accompanied by the Area Manager. I have no specific recollection of any complaints or concerns raised by the SPMs and staff I spoke to during these visits relating to POL's handling of shortfalls and discrepancies (although they did raise a number of issues concerning remuneration, and problems with handling cash and parcels) but the time spent in branches was useful in getting a better sense of the day to day challenges SPMs faced in running their businesses.
30. The net effect of these positive developments was that, in the period between the CIJ and my departure from the Board, the Board became more conscious of, and better informed about, the challenges facing SPMs in running their businesses and was able to apply that enhanced understanding in its discussions and decision-making.

*Actions by POL to Change Culture*

31. I have been asked to summarise my understanding of the actions taken by POL to change the culture of the organisation following the findings of Mr Justice Fraser, or resulting from evidence arising in the Inquiry.
32. Shortly after his appointment as CEO, Nick Read gave a clear statement of POL's values in relation to SPMs who were to be put as he said, "*at the heart of the organisation*". My impression was that the CEO understood the importance and scale of the challenge facing POL in this respect as reflected in statements such as the following, which appears in the CEO's report to the Board at the Board meeting in June 2021: "*the business will need to change direction if it is to survive. We must resolve and fix the past. This is more than just operational and IT fixes but deep cultural change*" [UKGI00041682, at p. 24].
33. I understood statements of this nature to reflect a recognition that SPMs needed to be treated by POL as true business partners and that POL could only succeed if SPMs were supported in running successful businesses. It was clear from Mr Justice Fraser's judgements that this could only be achieved by driving very substantial improvements in a wide range of areas including addressing the specific findings in the CIJ and the HIJ. A further key element of effective cultural change within POL as an organisation concerned the way in which SPMs were perceived by POL's staff and their understanding of the two-way nature of the relationship. SPMs needed to be valued and their concerns treated seriously. There needed to be a better understanding, at all levels of the Company, that POL had obligations to provide a quality service and better support for SPMs.
34. A fundamental change of attitude on the part of POL's staff was needed. But it is important to understand that the deficiencies in POL's processes that were pointed out in Mr Justice Fraser's judgements (including training, business support and the quality and transparency of dispute resolution procedures) were essential to achieving such a change in attitude. To give just one example, it was clear that POL had to change the process that required POL staff to make

the SPM "settle centrally" a shortfall before the SPM could open their branch if POL's staff were going to be able to change attitude towards SPMs. Culture change at POL therefore required wholesale and effective changes to POL's processes to be successful.

35. In my view, therefore, it would be misleading to draw a sharp distinction between the culture of the organisation and the operational deficiencies highlighted by the CIJ and HIJ. SPMs are business people running a commercial enterprise and, in addition to feeling valued and listened to, they need to be provided with the practical support to enable them to run their businesses, including a reliable IT system, adequate training, properly functioning support systems, a fair contractual framework, and an efficient process for resolving discrepancies and complaints. The 'culture' of the organisation would ultimately be revealed to a significant degree by extent to which it delivered on these practical requirements.
36. By the time I left the Board, POL had undertaken a very significant amount of work in all these areas. But although I considered that POL was working hard at a 'cultural' level to reset the relationship with SPMs, success could only be measured by the actual day-to-day experience of SPMs in their dealings with the Company.
37. Dealing first with the issue of culture and the general approach of POL towards SPMs, the statement that SPMs should be at the heart of the organisation was backed up by a range of actions that were regularly reported to the Board. I have already dealt with the appointment of two postmaster NEDs to the Board which was clearly a significant step forward from a cultural perspective. Other measures included:
  - (i) The production of the 'Postmaster Support Guide' setting out changes made by POL since the judgments which was promoted by the senior executive team at 'We're Stronger Together' roadshows, as reported to the Board in June 2020.

- (ii) The resetting of POL's purpose, as approved by the Board in June 2020 as "*We're here, in person, for the people who rely on us*", with the objective of driving change in culture and the need to embed values and behaviour that aligned with that purpose.
  - (iii) The initiation, in 2020, of various initiatives intended to support POL's purpose of becoming a successful business that was fundamentally 'Postmaster centric'. Over time, other initiatives were introduced, including a Voice of the Postmaster forum in early 2021, a 'Culture Club' with representatives from all levels of the organisation in 2022 and the engagement of external agencies to assist with cultural improvement. A comprehensive "People Strategy – Culture, Talent and Capability" programme was presented to the Board in July 2021 designed to ensure that POL had "the right culture, talent and capability in place" to meet its 2025 strategic objectives and vision [UKGI00049025].
  - (iv) The organisation of a number of events and initiatives to promote direct contact with SPMs and gain a better understanding of the day-to-day reality of running their business and the challenges they faced. These included postmaster conferences (including in April 2021 and November 2022), and I note that the Board discussed the key issues raised in the April 2021 conference at the Board meeting on 3 June 2021. The Board was also informed of roadshows, workshops and programmes, including the 'Adopt an Area' and 'Postmaster Experience' programmes launched in January 2021. The Adopt an Area programme involved senior managers being partnered with a designated area with the expectation that they visit branches on a quarterly basis to interact directly with SPMs to understand the challenges they faced and identify common themes. The Postmaster Experience programme involved approximately 1,800 members of POL's support staff to understand the "lifecycle of the postmaster".
38. Others will be better placed than me to provide the Inquiry with details as to the precise nature and effect of the work done by POL in the various respects I

have outlined above, but my impression (which I believe was shared by the rest of the Board) was that it evidenced a genuine commitment on the part of POL's management to address the culture of the organisation and to work hard to bring about the necessary changes.

39. The Board was updated regularly and was concerned to ensure that momentum was maintained. CEO reports to the Board consistently referenced the issues of support being provided to SPMs and SPM engagement and the Board frequently requested evidence of the extent of engagement with SPMs and their reactions to the changes that were being made (see, for example, the Board minutes of 26 October 2021).
40. The Department also took a close interest in this issue. It was consistently made clear in the annual letters from the Permanent Secretary to POL's Chair ("Chair's letters") that the Shareholder required cultural change to be prioritised and a more productive relationship between POL and SPMs to be built: see, for example, the Chair's letters of 31 March 2021 and 23 May 2022. The issue featured prominently at meetings between Nick Read and the Minister and in the quarterly shareholder meeting ("QSM") process. I note, for example, that the minutes of the February 2021 QSM record me as observing that there was, '*substantial Postmaster Feedback on issues around the inquiry and cultural change, and queried how POL will evidence that it has made positive cultural changes as well as measure progress going forward.*' [UKGI00018184]. The need for evidence of actual improvement was a consistent priority both for the Shareholder and the Board.
41. The evidence obtained by POL as to the effectiveness of the work it was undertaking to improve the culture of the organisation and its relationship with SPMs demonstrated that there was a very long way to go if the historic damage to the relationship was to be repaired. An annual postmaster survey starting in January 2021 measured (amongst other things) overall sentiment, the quality of the relationship between SPMs and POL, and how supported SPMs felt [UKGI00049024 at p.5]. The survey indicated a degree of improvement between 2021 and 2022, although from a low base, but there was then a degree

of regression in the 2023 figures. The overall percentage of SPMs who were positive about their relationship with POL remained low throughout.

42. The survey results broadly reflected my own general impression, which is that progress in improving the relationship between SPMs and POL stalled during the latter part of my tenure on the Board. It was very clear from the outset that addressing the culture of the organisation and repairing the relationship between POL and SPMs would be a difficult and lengthy exercise, which is a point I made in my first statement (at paragraph 278(x)), and the Board was realistic about the scale of the challenge that POL faced in this regard. However, although it would not have been realistic to expect these issues to have been fully addressed by the time of my departure, I was concerned that POL appeared to be finding it increasingly difficult to sustain progress.
43. I believe there were a number of overlapping developments that emerged during the course of 2022 that made it difficult for POL to deliver sustained improvements in the day-to-day experience of SPMs at branch level. First, the scale and complexity of the work needed to address the issues raised by the CIJ and HIJ was very considerable. Although significant progress had been made in a number of areas, there were other issues that were far more difficult to resolve, not least the replacement of the Horizon system itself. It was explained by POL's management at a fairly early stage that a number of the HIJ remediation issues could not be addressed by changes to the Horizon system and would need to await the implementation of a replacement system.
44. In February 2021, POL set up the Improvement Delivery Group (the "IDG") under the leadership of Dan Zinner, the Group Chief Operating Officer ("COO"), to oversee the work needed to implement the findings of the CIJ and HIJ. Dan Zinner appeared to bring energy and commitment to the role and I was impressed by the early progress that was reported to the Board in the presentations it received. Unfortunately, when Dan Zinner decided to step down as COO in October 2022 it seemed to me that POL struggled to find a replacement to lead the IDG and its effectiveness deteriorated as a result. I raised my concerns about a replacement for Dan Zinner with Nick Read in my



regular calls with him and at the ARC meeting in January 2022 but this was an issue which had yet to be effectively addressed by the time of my departure.

45. It also became increasingly apparent that the work being done to implement the CIJ and HIJ lacked an overall strategic direction. Put simply, it seemed to me that whilst a large amount of work was being done, and effort expended, there was no clear articulation of what the ultimate outcome was intended to be and whether the result could objectively be described as POL having a fit-for-purpose business in its dealings with SPMs. The difficulty that POL's management seemed to encounter in providing a clear explanation of what success should look like in terms of compliance with the CIJ and HIJ findings meant that it was difficult for the Board effectively to assess progress. I also believed that POL lacked an assurance plan to give comfort that the changes it was making would meet the expectations of SPMs in implementing systems and processes that were fit for purpose in a modern business environment.
46. The NBIT programme to replace Horizon proved to be particularly challenging. Others are better placed than me to provide a detailed account of the progress of the NBIT programme, which has a long and complicated history and was still ongoing when I left the Board in May 2023. The key point, however, is that POL's programme to replace Horizon with a reliable and user-friendly IT system was challenging and faced a number of significant setbacks. In particular, the programme faced technical challenges which led to delays and substantial increases in costs. It also turned out to be the case that insufficient consideration had been given to rolling the new system out to branches once the technical solution had been developed. Whilst there was an initial business case, when changes to cost estimates were presented, they were often difficult to reconcile to the previous version. As a result of the delays, the introduction of a new system, which would directly affect the ability of POL and SPMs to run their businesses in an efficient way, remained unresolved by the time I left the Board.
47. I was also concerned that there may have been some deterioration in the service provided to SPMs. I recall the Board being made aware in September

2022 that there would be a change of leadership at the Chesterfield office and there was a deteriorating trend in the number of unresolved discrepancies. In addition, at around the same time, a paper was presented to the Board about the AEI Exit and ATM Banking Strategy programmes which highlighted how these programmes had been managed poorly and had been disruptive for SPMs affected. One of the Postmaster NEDs had also raised an issue with the call centre.

48. Despite these reservations, I was confident that there had been a number of significant improvements in the way SPMs were treated by POL, particularly in relation to the handling of discrepancies and shortfalls. The Board's understanding was that the old approach of bullying SPMs into making good shortfalls and then pursuing termination and/or prosecution if they failed to do so had ceased and the number of terminations had fallen very substantially. I was aware of the introduction of a "dispute button" into the Horizon system that would enable SPMs to raise a dispute immediately after processing a transaction with a customer thus avoiding the need for SPMs to raise disputes via the helpline. POL had also introduced a comprehensive suite of new postmaster policies designed to ensure that POL would act in a manner compliant with the CIJ in its interpretation of postmaster contracts. These policies were assured by Norton Rose Fulbright. Taken together this reflected a significant body of work and substantial progress.
49. In light of these observations, my answer to the question of whether the culture of POL supported the building and maintaining of trust between POL and SPMs (and their staff) at the time of my departure from the Board is that although a great deal of work had been done by POL's management to improve the culture of the organisation, and its relationship with SPMs, there remained a long way to go in May 2023. In particular, it was my perception that whilst significant progress had been made in changing POL's attitude towards SPMs at a cultural level, and in relation to the handling of shortfalls and discrepancies in particular, there was much still to be done in delivering the practical improvements that would demonstrate to SPMs that they were genuinely valued by POL as business partners.

*The Board's Relationship with External Stakeholders*

50. POL's Board had no direct relationship with NFSP, CWU or Fujitsu during my tenure as a NED. The Board's knowledge of POL's relationships with these external stakeholders and POL's discussions with them came from reports provided to the Board by POL's management. I do not recall any occasion on which representatives from the NFSP, CWU or Fujitsu attended a meeting of the Board or its sub-committees, nor do I recall any occasion on which any of these external stakeholders made representations directly to the Board as a whole.
51. As regards POL's relationship with UKGI and the Department of Business and Trade or its predecessor, BEIS, (collectively referred to as "HMG"), in his second witness statement to the Inquiry dated 26 April 2024 [WITN10770200], Charles Donald, UKGI's CEO, explained how the relationship between POL and HMG changed over the material period, and most notably following the conclusion of the GLO proceedings. In particular, he described:
- a. The practical changes to the governance role, including the frequency of meetings and interactions between POL and HMG (paragraphs 8-16); and
  - b. Enhancements to:
    - i. the governance documentation of and relating to POL (paragraphs 17-26);
    - ii. the governance arrangements in respect of litigation and legal matters (paragraphs 27-29); and
    - iii. POL's corporate culture, including an increase in the dialogue between UKGI, DBT and POL on corporate culture and postmaster relations (paragraphs 30-35).
52. I have reviewed these aspects of Charles Donald's evidence and they accurately reflect my understanding of the position regarding the relationship between the Board and HMG. As to my experience of the relationship between the period covered in my first statement and my departure from the Board, I

considered it to be open and constructive in general. On the issue of the culture of the organisation and the need for fundamental change in light of the findings in the CIJ and HIJ, there was a clear and consistent recognition by all three parties of the scale and importance of the work that needed to be done by POL, as reflected in the Chair's letters, the regular meetings between the Minister and POL's CEO, and the QSMs. There were inevitably some issues where there was a tension between the position of POL's management or the Board and the Shareholder/UKGI, particularly in relation to funding and financial approvals, but it was well understood by all concerned that issues of this sort would arise from time to time and, in general terms, they were managed appropriately.

53. I am aware that since my departure from the Board, a Board Evaluation Report of 2022/2023 was released [**POL00447838**] and referred to the Board wanting further clarity on the shareholder representative's role on the Board and there being a *"widespread view that UKGI delved too much into the detail, and some felt that UKGI acted as a filter on messages to the shareholder."* Whilst I have not explored this matter further with POL given the Board Evaluation Report was delivered around the time of my departure from the Board, my own perspective is that the scale of the challenges the Company was facing inevitably required the Shareholder Team to become more involved in the detail. The Company faced a multitude of issues which needed approvals from HMG or other involvement with HMG. Funding issues during the period covered by the Board Evaluation Report became more challenging than they had been previously and the Shareholder Team believed it was necessary to understand the detail in order to perform its role. I do not understand the comment about UKGI acting as a filter to the shareholder. However, if it is being suggested that the Department was not hearing from the Company directly, I disagree that this was the case. The Department's policy team and Minister had regular face to face interaction with POL (as Charles Donald has described in his second witness statement **WITN10770200**) so there was no shortage of avenues by which POL could interact directly with the Shareholder.

## Board Composition

### *Composition of the Board – Experience, Expertise, Ability - [13]*

54. I have been asked to address the current composition of the Board in relation to experience, expertise and ability. As I have explained above, I left the Board in May 2023 and so I am unable to provide an assessment of the Board as currently constituted. I set out below my views on the position as it stood at the time of my departure but, in order to understand properly the position in May 2023, it is necessary to take account of the changes to the Board composition that had either recently occurred or were in progress at the time.
55. In March 2021, an independent review of the effectiveness of POL's Board and its committees was undertaken by Independent Audit as referred to above [UKGI00017887]. The issue of Board composition is addressed at paragraph 26 of the review in the following terms:
- “The Board currently benefits from the insights of experienced directors who have a good range of knowledge and skills, covering all the key aspects of POL's business model, including Retail, IT/Digital, Mails/Parcels and Financial Services. All the NEDs work hard, putting in much more time than they would in a typical non-executive role, and executives value their contributions. The Board has a shareholder representative NED from UKGI who is felt by colleagues to be engaged and constructive, and to provide good input into debates.”*
56. I agreed with this assessment and I felt that the Board benefitted from an appropriate range of experience and expertise. At this stage, the Postmaster NEDs had yet to take up their appointments to the Board but, as the report recorded at paragraphs 27-28, this was expected to occur in April 2021 and I agreed with the assessment of the reviewers that the Board was 'clearly very committed to integrating the new members effectively'; and that the decision to appoint two Postmaster NEDs, rather than just one, was a sensible and appropriate one [UKGI00017887].

57. However, as the review correctly identified, at paragraph 32, the Board faced a significant challenge over the course of the following 18 months or so because a number of the most experienced NEDs (including the Chair and Senior Independent Director) were due to finish their terms. As set out at paragraphs 34-35 of the review, the Board had started to plan the succession and had discussed the profiles of skills and experience that would be required to replace those members of the Board that would be leaving [UKGI00017887].
58. The generally positive picture in terms of Board composition was also reflected in an internal Board evaluation exercise conducted in 2022. The report was authored by the Company Secretary and sponsored by Zarin Patel, the Senior Independent Director. It was presented to the Board at the Board meeting on 29 March 2022 [POL00438073]. The methodology included questionnaires completed by all the Board members (along with the General Counsel and COO) which assessed the composition and performance of the Board in a wide range of aspects in accordance with a five-point scale running from 5 (excellent) down to 1 (requires significant development). A score of 3 denoted performance that was 'good/at required standard'.
59. The first question addressed by the evaluation exercise was: "*How appropriate is the composition of the Board for the requirements of the business?*". As noted at paragraph 4 of the report, the average response score in relation to this question was 3.8, and this was one of the most positive findings in the evaluation exercise. The detail of the findings in relation to this issue are contained in the Appendix to the report. The recorded comments included an observation that new members had added expertise in 'mails, IT and legal'; and the specific question of IT capability was scored at an average of 3.2. This assessment broadly matched my own views and I do not recall being concerned that the Board was lacking in terms of expertise or experience in any key area at this point. I also agreed with the comment recorded at page 8 of the report that the Postmaster NEDs '*have brought a very welcome perspective to our discussions and decision making*' and I return to this issue below [POL00438073].

60. The Shareholder Team was actively involved in Board succession planning. This included preparing for the departure of Tim Parker as Chair at the end of his second term. Around a year before this in October 2021 the Shareholder Team began supporting the Department in managing the selection process, including taking steps to outline the criteria for the Chair, including proposed remuneration. Unlike the recruitment process for other Board appointments, the appointment was regulated by The Commissioner for Public Appointments (“OCPA”). An OCPA appointment involves the appointment of an Advisory Assessment Panel to select from the candidates a number of appointable candidates for recommendation to the Secretary of State. The Secretary of State’s primary role is to select the successful candidate from the list of appointable candidates put forward. The Advisory Assessment Panel consisted of the Permanent Secretary, UKGI’s CEO, POL’s Senior Independent Director and an independent member not associated with POL. The Shareholder Team assisted the Advisory Assessment Panel with procedural matters at each stage of the process. I was not a member of the Advisory Assessment Panel and I was not involved in the appointment process. The Department also took an active interest in the process and once a list of appointable candidates was proposed by the Advisory Assessment Panel, the Secretary of State selected Henry Staunton to be POL’s Chair.
61. During 2022, the Shareholder Team also worked with POL to address the task of replacing POL’s NEDs whose tenure was drawing to an end and recruitment exercises were commenced to find replacement NEDs with the appropriate profiles of expertise and experience.
62. In June and July 2022, NomCo discussed succession for the departing NEDs including the skills, knowledge and experience the Board needed in the new NEDs. It was agreed that the search should look for candidates with a deep understanding of one or more of the following areas: *“operations, organisational effectiveness and business transformation (talent, brand, capability of organisation to execute) and diversity and inclusion”* (as summarised in the subsequent submission 1 September 2022). On 1 September 2022 a submission was sent to the Minister seeking approval to commence a

recruitment exercise to find replacements for three NEDs who would be leaving between February and August 2023: Carla Stent, Zarin Patel, and Lisa Harrington. It was anticipated that Carla Stent's replacement would take over her role as Chair of ARC; and that Lisa Harrington's replacement would take over her role as Chair of RemCo.

63. It was noted in Annex B of the submission that Lisa Harrington's areas of particular expertise included 'digital and business transformation expertise'. Given the significance of the NBIT programme, it was recognised that POL should try to recruit at least one NED with expertise in this area. Accordingly, the job description for new NEDs, at Annex C of the submission, put 'large scale/complex business transformation and digital change' at the top of the list of 'essential experience' for candidates.
64. Approval was given to commence the recruitment exercises which were run over the course of the next several months. As set out in a submission dated 26 January 2023, Simon Jeffreys was identified as the appropriate candidate to replace Carla Stent and take over as Chair of the ARC. Simon Jeffreys is a Chartered Accountant with considerable experience as a non-executive director and audit committee chair. He also had a combination of public and private sector experience. The recommendation was approved and Simon Jeffreys was duly appointed.
65. As set out in a submission dated 27 March 2023, approval was sought for the appointment of Amanda Burton to replace Lisa Harrington and to take over her role as Chair of RemCo. Amanda Burton did not have Lisa Harrington's experience of digital transformation but my recollection is that it proved very difficult to find a suitable candidate who it was felt had the necessary combination of appropriate non-executive experience, capability to chair RemCo effectively as well as significant experience in the digital transformation field. So the decision was taken that Amanda Burton should be appointed at this stage and digital transformation experience should be prioritised in the next NED recruitment exercise.



66. I was not directly involved in the recruitment exercise to replace Zarin Patel but I understand that it continued to be challenging to find a suitable candidate with significant IT/digital transformation expertise. In the event, Andrew Darfoor was appointed after I left the Board. As far as I am aware, this decision was taken on the basis that, in addition to his considerable expertise and experience in a range of areas relevant to POL's business, he had at least some digital transformation experience from a business he had previously run as CEO.
67. It will be apparent from this summary of the background that, at the time I left the Board in May 2023, the Board was in the midst of a process of transition. There was a relatively new Chairman, appointed in December 2022; two new NEDs had recently been appointed to take over as Chairs of the ARC and RemCo respectively; and a selection process was underway to replace the Senior Independent Director when her term finished. The Board had been strengthened by the appointment of the Postmaster NEDs but it was proving very difficult to find a suitable candidate with digital transformation expertise of the type that had previously been provided by Lisa Harrington.
68. I note that the Board meeting of 6 December 2022 was the first Board meeting chaired by Henry Staunton, and that I attended two further Board meetings that he chaired (including the additional meeting on 9 March 2023) before my departure from the Board. I did not reach any concluded views as to his expertise or abilities in that short period. Similarly, it was too early to form a view as to how the Board as a whole, following the recent and prospective appointment of several new NEDs, would perform.

#### *Board Representation*

69. I am firmly of the view that the appointment of the Postmaster NEDs was an unequivocally positive and welcome development. As I set out in my first statement (at paragraph at 278(x)) I felt that the Postmaster NEDs provided the Board with an incredibly useful perspective on how POL's actions translated into what happened on the ground in branches and enabled the Board to engage in more effective and insightful challenge to POL's management on a range of issues that directly impacted the way in which SPMs ran their

businesses. As I have said above, I agree with the observations made in the 2022 Board evaluation as to the value added by the Postmaster NEDs to Board discussions. I would also reiterate what I said in my first statement, at paragraph 278(v), that one of the significant failings on the part of the Board in dealing with the Horizon issue was a lack of understanding of the lived experience of SPMs and a lack of appreciation of what it was actually like trying to run a branch while dealing both with the Horizon system itself and POL's approach to shortfalls and disputes.

70. The specific issues in relation to which the contribution of the Postmaster NEDs had a direct impact on Board decision-making will be apparent from the Board minutes. They contributed on a wide range of issues, not just those that directly affected SPMs and their businesses. To give just three examples of their involvement: the discussion in June 2021 concerning postmaster representation on the new forums being established by POL; the discussion in October 2021 on postmaster detriment (an initiative by POL to identify issues arising from the CIJ and HIJ where SPMs were entitled to compensation but which were not within the scope of the HSS, for example suspension pay in cases where the SPM had not suffered a shortfall); and the discussion in November 2022 on the operation of call centres and the dispute button on Horizon. I also recall that the Postmaster NEDs provided valuable input on the types of equipment to be deployed in branches as part of the NBIT programme that SPMs would find most useful for their businesses. In general terms, I found the contribution and influence of the Postmaster NEDs to be wide-ranging, and positive, in all our Board discussions.
71. I am also aware that, in addition to their contribution to the Board, the Postmaster NEDs provided an additional route by which SPMs could communicate their concerns about specific issues which could then be passed on to POL's management and/or the Board. The Postmaster NEDs participated in various SPM forums and events organised by POL which enabled them to provide direct feedback to POL's management on issues being experienced by SPMs in their branches. Having witnessed the positive impact of postmaster representation on the Board over the course of the two years or so between the

appointment of the Postmaster NEDs and my departure from the Board, I think that continued representation of postmasters on the Board would be beneficial.

72. I provided some detailed reflections on the desirability of legally qualified Board members in my first statement at paragraph 278(iv) and my views remain as expressed in that paragraph. In short, it is clear to me that having had a NED with legal expertise on the Board when it was dealing with the GLO could have had a number of significant benefits, although the extent of those benefits would have depended on the expertise and personality of the individual and their ability and/or willingness to provide robust challenge to the legal advice being received by the Board. I also observed in my first statement that the Board benefitted from the legal expertise of Ben Tidswell after he was appointed as a NED, and I remain of that view. That said, and as I have previously observed, it is not possible to have an expert in every potentially relevant area on the Board and the importance of legal expertise at any given point will depend on the significance of the legal issues facing the Company such as involvement in large scale litigation.
73. I have largely addressed the issue of IT experience and expertise above in my account of the composition of the Board and the importance that was attached to IT/digital transformation experience in the NED recruitment process. In general terms, experience of this nature will always be very valuable for a commercial organisation like POL. IT systems are almost invariably an important part of any company's strategy, operational delivery and risk profile. Boards are frequently faced with the need to provide effective oversight of transformative IT projects. This is likely to become even more common as businesses deal with the AI revolution and the very substantial changes that this will bring. The need for IT/digital transformation expertise on a board inevitably becomes particularly valuable when the company concerned is dealing with issues such as the integrity and/or replacement of core systems.
74. However, the general need for experience of this nature on a board faces the practical issue that there is limited availability of suitable candidates. The NED recruitment exercise in late 2022/early 2023 that I describe above, illustrates

the difficulty that can be encountered in practice. The Board was fortunate to have Lisa Harrington's experience of digital transformation projects but finding a suitable replacement with the same skillset was very challenging. Boards that experience difficulties such as these will usually have to make effective use of external sources of expertise to obtain assurance in relation to large scale IT and digital transformation issues.

### **Whistleblowing**

75. I am aware that in his third witness statement to the Inquiry dated 2 May 2024 [WITN10770300], Charles Donald provided a high-level overview of how whistleblowing policies and procedures were adopted within POL from 2012 onwards (paragraphs 37-62). He also summarised UKGI's approach to whistleblowing from 2016 onwards (paragraphs 63-65). I have reviewed those parts of Charles Donald's witness statement. I agree with them and, as far as I am aware, they provide an accurate account of the relevant policies and procedures relating to whistleblowing.

#### *Whistleblowing – Culture*

76. From my perspective as a member of POL's Board, my impression was that the culture within POL did encourage whistleblowers to speak openly and honestly about their concerns. That said, my direct involvement in whistleblowing was limited. Zarin Patel was the Whistleblowing Champion on the Board and took the lead on this issue at Board level. Subject to the one instance I address below, I did not have any personal involvement in any specific whistleblowing complaints.
77. My impression that the culture of the Company was conducive to encouraging whistleblowers to speak up openly and honestly derived from four principal sources. First, and as I have outlined above when dealing with POL's culture in so far as it concerned its dealing with SPMs, the CEO clearly regarded it as important to seek the frank views of SPMs as to challenges they were experiencing running their businesses and a number of different forums were

established to encourage SPMs to communicate their concerns. There were surveys, consultation exercises and postmaster conferences and I have provided a number of specific examples above. In general terms, SPM engagement was an issue that the Board took very seriously and it received regular updates from POL's management about the steps being taken to address the issue. The perspective of the Postmaster NEDs was very valuable in these discussions. Overall, the impression conveyed to the Board was that POL had worked hard to encourage SPMs to believe that, if they had concerns, they would be taken seriously and acted upon.

78. Although the various forums I have outlined above were not directly concerned with whistleblowing specifically, I would hope and expect that this cultural change would encourage whistleblowers to feel free to come forward from among SPMs and POL's employees. As to the latter, the public statements made by POL's management as to the importance of cultural change and resetting the relationship with SPMs ought to have increased confidence that, were a whistleblowing report to be made, it would be subject to a proper process of investigation.
79. Secondly, ARC received annual whistleblowing reports which provided a relatively detailed overview of the extent of whistleblowing activity and the Company's handling of whistleblowing complaints. These reports would often be supplemented by additional material relating to whistleblowing placed in the ARC Reading Room, to which ARC members had access. I refer, by way of representative example, to the Whistleblowing Report presented to the ARC meeting on 28 September 2021, authored by Sally Smith (Money Laundering Reporting Officer and Head of Financial Crime) and sponsored by the General Counsel, Ben Foat. The report covers the period of six months since the previous report. The ARC paper was supplemented by a more extensive report in the Reading Room.
80. At paragraph 4 the Board paper lists a number of actions taken since 2021 including: the provision of mandatory whistleblowing training to all employees; the publication of an article by the Whistleblowing Champion (Zarin Patel)

designed to raise awareness of the importance of speaking up; the updating of the Postmaster Support Guide to provide additional information about whistleblowing; the appointment of a new Whistleblowing Manager; and the commencement of quarterly meetings between POL's Whistleblowing Team and the Board's Whistleblowing Champion. The specific actions would inevitably vary from report to report but, as with this example, the impression given was that the Company took whistleblowing seriously and was taking active steps to promote awareness of the importance of whistleblowing and the mechanisms available for whistleblowers to raise complaints.

81. The Board paper was also typical in that it included, at paragraphs 7-12, an analysis of the number of instances of whistleblowing and their resolution. It noted that the initiatives to raise awareness of the whistleblowing service and the promotion of the speak-up culture meant that POL's Whistleblowing Team was predicting an increase of over 90% in the volume of whistleblowing reports, from 41 and 43 in 2019/20 and 2020/21 respectively to approximately 80 in 2021/22. Information was provided about whistleblowing reports that had been found to be substantiated, along with an analysis of the various routes by which reports were made. These were valuable updates which provided ARC with a degree of assurance that whistleblowing was being treated with the importance it deserved and that the procedures in place to encourage reporting were working.
82. Thirdly, POL periodically sought external assurance of the adequacy and effectiveness of its whistleblowing policies and procedures. This included a review by Herbert Smith Freehills ("HSF") which was summarised in the papers for the ARC meeting on 20 March 2021. When I left the Board, a review was being conducted by Ernst and Young ("EY") that was due to report shortly. I was also aware that POL had engaged Protect (the UK whistleblowing charity) in 2020/2021 to provide it with assistance in assuring its processes and procedures in this area. The willingness to obtain external assurance was reassuring, and I thought it likely that any significant issues or deficiencies would be identified in the course of these external assurance exercises.

83. Finally, I also took comfort from the role of the Board's Whistleblowing Champion who was very engaged on this issue. I believe she would not have hesitated in bringing forward to the Board any concerns she may have had.
84. Accordingly, my perspective was that this was an area which was being proactively and effectively addressed by the Company and my impression, which I believe was shared by the Board, was that the culture of the Company, from 2021 onwards, was one that encouraged open and honest reporting of concerns through suitable whistleblowing procedures. However, in expressing that view I would, of course, acknowledge that the legacy of mistrust left by POL's handling of the Horizon issue was very substantial and I can well understand why individuals wanting to raise concerns by whistleblowing may have been sceptical about whether they would be listened to and taken seriously.

#### *Whistleblowing – Cases*

85. I had direct involvement in only one whistleblowing complaint received by POL following the GLO. This concerned the appointment of Elliot Jacobs as a Postmaster NED. It was a complaint made by NFSP that Elliot Jacobs did not fulfil the criteria for appointment. This was raised in one of the regular meetings between the Department and NFSP and was brought to my attention by BEIS' policy team.
86. My recollection is that NFSP initially made contact with the Department in December 2021 to raise its concerns regarding Elliot Jacobs' appointment following which I then contacted Calum Greenhow, NFSP's Chief Executive, to ascertain the nature of the issues that NFSP had raised. Having done so, I then passed the information I had been given to POL's General Counsel, Ben Foat, who decided to treat it as a whistleblowing complaint. My understanding is that the complaint was then investigated under POL's 'Freedom to Speak Up' policy but I was not involved in that investigation.
87. As to the outcome, which I became aware of in August 2022, my understanding is that the investigation determined that the complaint should not be upheld and

this outcome was communicated to NFSP. I made enquiries of POL as to the basis upon which the decision had been taken and I was informed that the complaint related to the question of whether Elliot Jacobs met one of the specified criteria for appointment as Postmaster NED. It was explained to me that, during the selection process, POL had decided to grant exceptions to one of the criteria in relation to a number of candidates for the role, including Elliot Jacobs. POL accepted that it had not made the policy of giving exceptions in certain cases sufficiently clear to potential candidates. The issue was subsequently considered by NomCo, which identified the need for POL to be more rigorous and transparent in future appointments when deciding on appointment criteria and how they would be applied. I spoke to Calum Greenhow in August 2022 after he had been in touch with me to express his dissatisfaction with the outcome of POL's investigation. I followed up with POL's General Counsel to ask if there were any concerns in relation to how the whistleblowing policy was applied. Calum Greenhow followed up again with me in around December 2022/January 2023. During the conversation, I suggested that he could raise the issue with the Minister if he remained concerned about the issue.

*Whistleblowing – Adequacy/Effectiveness of Procedures*

88. I have largely addressed my perception of the adequacy and effectiveness of POL's whistleblowing policies and procedures in the course of my answer to the question of whether the culture in POL actively encouraged whistleblowing as there is an obvious overlap between the existence of a supportive culture and the implementation of effective procedures to facilitate the making of reports. In short, I would repeat what I have said above concerning the sources of internal and external assurance available to the Board in support of my view that the policies and procedures were generally effective.
89. In assessing the effectiveness of POL's whistleblowing policies and procedures I was also assisted by a Guidance Note prepared by the UKGI Corporate Governance and Legal teams designed to assist Shareholder Teams with identifying good practice in the handling of whistleblowing and other serious



complaints. The document at **UKGI00044274** is an updated version of this Guidance Note dated November 2023 but, from recollection, the version(s) in existence during my tenure as a NED were very similar.

90. At section 3 of the Guidance Note there is a helpful list of relevant questions to ask for the purpose of determining whether an organisation's whistleblowing policies and procedures are adequate. By reference to some of the key questions on that list:

- (i) I was aware that POL's whistleblowing policies and procedures were reviewed regularly by the ARC, including an analysis of how those policies and procedures were operating in practice.
- (ii) Assurance against best practice had been sought through external review, including the work done by HSF, Protect and EY which I have outlined above.
- (iii) A capable and engaged Board level Whistleblowing Champion had been appointed who exercised close oversight of the issue, including a programme of regular meetings with the Company's Whistleblowing Team.
- (iv) The Board received regular updates covering the number and type of whistleblowing reports and their resolution, through the Whistleblowing Reports presented to ARC. The Board did not operate a set threshold for reports that should be escalated to the Board as this was essentially a question of judgment for POL's management team and/or the Whistleblowing Champion, but I believed that if specific reports raised issues of sufficient seriousness they would be brought to the Board's attention.
- (v) The Whistleblowing Reports presented to ARC, an example of which I have described above, did contain detail as to the various channels for making reports, including the frequency with which they were used, as well as dealing with issues of training and awareness.

91. In summary, therefore, I was broadly satisfied that POL's whistleblowing policies and procedures were adequate and effective at the time I left the Board, and that the Board exercised an appropriate level of oversight over those policies and procedures.

*Sharing legally privileged information with the Board*

92. At paragraphs 73 to 80 of my first statement I set out a detailed account of the efforts the Shareholder Team made in 2018 to establish an information sharing protocol under which legally privileged information would be communicated between POL, the Shareholder Team and the Department. I have also described the operation of the Board's Litigation Sub-committee and the oversight of the litigation exercised by the Board following my appointment, including receiving advice prepared by the external legal advisers on merits, grounds of appeal and settlement.
93. Although I am not a lawyer, I gained some understanding of the concept of legal professional privilege through this work, including the extent to which legally privileged information can be shared with the board of the company concerned. My understanding of the principles relating to legal professional privilege developed further in 2020 in the course of HMG's consideration of POL's handling of the Swift Review in 2016.
94. In short, it is my understanding that there are no restrictions on the ability of a board to receive and consider legally privileged information where the privilege is held by the company. In essence, the company is the client and the board is part of the company. Accordingly, there should be no circumstances in which the company's management should withhold information from the board on the grounds that it is subject to legal professional privilege and the board has the right to call for any privileged information or documentation it wishes to see. The only exception to this general principle applying in a board context, of which I have experience, arises if one of the directors has an interest in the litigation (or other legal issue) to which the privileged material relates. In those circumstances, it may be appropriate to ensure that the privileged material is

not shared with that director. However, were this situation to arise it should not prevent the material from being shared with the rest of the board.

95. As to the sufficiency of the provision of legal information to the Board, I have described in my first statement that this was wholly inadequate at the time I took up my position on the Board in early 2018. At that stage the Board was not being provided with any documentation relating to the GLO by POL's management and was reliant on oral briefings as to the progress of the litigation and the advice being received from the external legal team. Matters improved to a limited extent with the establishment of the Litigation Sub-committee which received a small amount of privileged information but was still generally reliant on oral briefings such as the summary by David Cavender QC of his merits advice, which was not provided to the Litigation Sub-committee as a document. I have also described how I continued to encounter difficulties in obtaining access to some types of material (including the witness statements of the lead claimants). By early 2019, and the handing down of the CIJ, the situation had improved and the Board (including the Litigation Sub-committee) regularly received legally privileged information, including advice from POL's external legal advisers.
96. By the time I left the Board in 2023 there had been a marked change of culture and practice in the sharing of legally privileged information compared to when I joined five years previously. The Board would be routinely provided with legally privileged information and if it asked to see any privileged information then it would be provided without objection. As with other types of information there was not an automatic assumption that every legally privileged document would be provided to the Board – there is always a need to exercise judgement in determining what the Board needs to be sighted on – but I was confident that whatever the Board wanted or needed to see would be provided and there was no question, as far as I was aware, of legal professional privilege being cited as a reason not to provide the Board with information. This also applied to the sharing of legally privileged information by POL with the Shareholder and UKGI.

## **Departure from the Board**

97. As I have explained above, I left POL's Board in May 2023. By that stage, I had been planning my departure for some time, having originally discussed it with Charles Donald in early November 2022. Charles Donald agreed to look for a replacement who could be appointed on or before the fifth anniversary of my appointment to the Board in March 2023. Lorna Gratton was identified as a suitable replacement. The decision was then communicated to POL in February 2023. It took some time for Lorna Gratton's appointment to be finalised, and I stepped down in May 2023. The period between March and May 2023 was used as a handover period during which Lorna Gratton took over my responsibilities. The last Board meeting I attended as a NED was on 29 March 2023.
98. I felt that the Board would benefit from a fresh pair of eyes and that my tenure as Shareholder NED was approaching a natural end. I had served on the Board for a relatively long period and it was agreed that a change was appropriate. By the time I departed I was the longest serving NED on the Board.
99. Although I formally stood down from the Board in May 2023, I was asked to continue to attend a small number of HRC meetings as an observer, to help smooth the handover to Lorna Gratton.

## **Key Events**

*Times Article dated 19 February 2024 – [21]*

100. I have been asked to consider the contents of an article that appeared in the Times on 19 February 2024 [RLIT0000201] and to set out my understanding of the matters raised in that article. As the Inquiry will appreciate, the article was published approximately nine months after my departure from the Board and although I set out below my understanding of the issues raised in the article as at the time of my departure (insofar as I am able to do so) it may well be that matters moved on in the period after I left.

101. I deal first with the issue of how the Postmaster NEDs were viewed, and treated, by other members of the Board and the view expressed by Elliot Jacobs that he and Saf Ismail were *'ignored and seen [...] as an annoyance'* by other members of the Board. I wish to make clear at the outset that I never regarded either Saf Ismail or Elliot Jacobs as an 'annoyance' and nor did I ignore the contributions they made to the Board discussions. I held them both in high regard and I interacted with them frequently, at Board meetings and in private discussions. As I have set out above, I was strongly supportive of their appointment to the Board and I considered their contribution to the Board discussions to be invaluable. I felt that the Board benefitted from their 'real world' experience of life as SPMs running post offices and I have given a number of specific examples of instances where their perspective and insight was incorporated into Board discussions and decision-making. I have also explained that I regarded them as a valuable conduit for the communication of SPM's concerns to POL's management and to the Board. If they had raised any concerns about their own treatment by the Board, I would have taken that very seriously indeed.
102. As far as I was aware, the rest of the Board shared my view as to the value and importance of the contribution made by the Postmaster NEDs and I note for example, that the Board evaluation report for 2022/23 records that: *"Board Directors were pleased about a number of aspects of the way the Board operated during FY22/23 including the contributions of the Postmaster Non-Executive Directors, particularly in bringing the Board closer to the business."* I do not know whether the quotation from Elliot Jacobs in the press article is an accurate and complete expression of his views, and those of Saf Ismail, or whether they relate to the period from April 2021 to May 2023 when we were on the Board together. If so, then I would be very concerned to learn that they were made to feel that way.
103. The second issue addressed in the article is the view attributed to Elliot Jacobs that there was an embedded culture at POL that postmasters were 'guilty' and 'on the take'. I have addressed the issue of POL's culture in detail above and I

have sought to explain my perception of the progress that was made by POL in its attitude towards SPMs in general, and its handling of discrepancies in particular. Many measures had been introduced by POL to change the way SPM's were perceived and treated by POL's staff. In addition, an internal audit report in January 2023, shortly before I left the Board, painted a positive picture of the way POL's staff interacted with SPMs in relation to the resolution of discrepancies and disputes, although the report also acknowledged that not all SPMs engaged with the process in the way they were expected to under POL's new policies and procedures.

104. That said, as a Board member, my experience of the daily interactions between SPMs and POL was inevitably limited and I left the Board around nine months before the article quoting Elliot Jacobs was published. If the article accurately records his opinion, then I have no doubt that he will have had good reason for reaching that view and I would not dispute it. I would say, however, that I do not recall Elliot Jacobs expressing that view during my time on the Board, either in the course of a Board meeting, or during our conversations outside the Board. I do recall receiving some general feedback from the Postmaster NEDs that POL remained a difficult organisation to deal with from their perspective (particularly with regard to how long it took to progress matters and deal with issues they raised) but I do not recall any specific reference to SPMs being generally regarded as dishonest. Had he done so I would have taken the issue very seriously and raised the matter both with the Board and the Shareholder.
105. The third issue addressed in the article concerns the opinion, attributed to Elliot Jacobs, that POL's investigation department was 'out of control' and continued to include around 40 investigators who were described as 'untouchable' by the CEO. Again, I do not recall Mr Jacobs expressing this opinion, either at a Board meeting or during our informal discussions. Nor do I recall Nick Read referring to investigators employed by POL as 'untouchable'. As with the other matters raised in the article, if the quotations ascribed to him accurately capture Elliot Jacobs' view, then I have no doubt it was honestly held and that he will have had good reason to reach that view. For my part, I can only repeat the account I have given above of my impression that the approach of POL to dealing with

shortfalls or discrepancies in branch accounts had changed significantly by the time I left the Board.

*Dismissal of Henry Staunton on 27 January 2024 – [22]*

106. I have been asked about my understanding of the circumstances that led to the dismissal of Henry Staunton on 27 January 2024. Having left the Board eight months earlier, I am afraid I have no knowledge of the circumstances in which he was dismissed, the background to the decision, the relevant chronology or the actions of any of the individuals involved.

*Resignation of Alisdair Cameron on 25 June 2024 – [23]*

107. The first time I became aware of discussions that might lead to Al Cameron's departure from the Company was in 2020, when I learned that the relationship between Nick Read and Al Cameron had become difficult and that Nick Read wanted to replace Al Cameron with a new CFO with whom he could develop a more effective working relationship. This prompted POL to consider the terms of an appropriate package to put to Al Cameron for the purposes of agreeing a consensual termination of his employment and three options were identified.
108. The options identified by POL were set out in a submission to the Secretary of State in November 2020 [UKGI00046940]. The submission reflected the understanding of the Shareholder Team that the central issue was the working relationship between Al Cameron and other members of POL's management team.
109. The Secretary of State delegated the decision to the Minister who responded by directing that further consideration be given to the terms of any consensual termination, including the attachment of conditions to the agreement. As a result of the Minister's intervention, a fresh proposal was formulated and set out in a submission dated 19 January 2021 [UKGI00049020 and UKGI00049021] which was subsequently approved by the Minister on 26 January 2021 [UKGI00035753].

110. At the RemCo meeting in April 2021, RemCo was informed that, in light of the Secretary of State's approval, an initial conversation had taken place with Al Cameron during which Al Cameron had indicated the approximate sum he would be seeking as part of any consensual termination agreement. An explanation was given as to the rationale for Al Cameron's position and there was a discussion about the extent to which it would be appropriate to amend the financial element of the proposed package. There was a general consensus that it was important for the issue to be resolved quickly but I observed that, on the issue of whether a substantially enhanced financial offer should be made, the Government's view would most likely be different to POL's.
111. In May 2021, there was a further submission updating the Minister as to the latest situation [UKGI00049022]. In short, the position appeared to be that Al Cameron was threatening to take legal action against POL citing a number of grievances. POL was proposing a revised exit package in a further attempt to reach a negotiated settlement, the essential elements of which were largely the same as the proposal approved in January 2021 but with enhanced bonus entitlements as a good leaver.
112. From my perspective the situation was clearly unsustainable. It is not possible to have an effectively functioning executive team if the relationship between the CFO and the CEO has broken down and the CFO is threatening the company with legal action. The Board was keen to see the matter resolved but there seemed to be little scope for resolution if Al Cameron maintained his expectations as to the financial element of the package.
113. The matter was discussed at a RemCo meeting on 1 July 2021. I observed that the Department was likely to have reservations about a significantly enhanced financial offer to Mr Cameron. I also explained that I intended to recuse myself from any decision to recommend that such an offer be made, as I thought the Department would not want its representative on the Board to support such a proposal. However, my reservations would not prevent POL from seeking approval from Ministers for a proposed package if RemCo decided to approve



the proposal. In the event, I believe that no proposal was made, and Al Cameron remained in post.

114. I do not recall there being any significant further developments in relation to Mr Cameron's potential departure until March 2023 when a submission was put up to the Secretary of State and the Minister informing them of the current options POL was considering in relation to Al Cameron's departure [UKGI00049023]. A draft letter from the Chair to the Secretary of State was attached which set out the relevant background. The essential purpose of the submission was to ensure that the Secretary of State and the Minister were sighted on POL's proposed approach to the issue and to provide them with an opportunity to indicate their thinking on the issue before any formal request for approval was made.

115. My understanding of the material developments in the period since the discussions regarding Al Cameron's departure in 2021 are reflected in paragraph 4 of the submission [UKGI00049023], as follows:

*"We understand that in recent months there have been various complaints about the CFO's behaviour, which led POL to revisit the options for dealing with his behaviours and how the situation could develop. POL set out the current options in a draft letter to the Secretary of State (Annex A). However, events are unfolding quickly, and subsequent to the drafting of this letter additional information has come to light about the CFO's conduct which has prompted POL to examine [the following options]."*

116. I was not involved in POL's examination of the options referred to in the submission. As the submission noted, POL had yet to reach a concluded view as to how to proceed and the options identified by POL were due to be discussed at the forthcoming Board meeting on 28 March 2023.

117. A number of the options included the payment of substantial sums to Al Cameron and my recollection is that the Minister was strongly opposed to a large payment being authorised to someone about whom significant behavioural concerns had been raised without an investigation of those

concerns being undertaken. I informed Jane Davies, POL's Chief People Officer, of the Minister's position and she explained that POL's CEO was not prepared to sanction an investigation into the complaints about Al Cameron's behaviour. That impasse remained at the point that I ceased to have any further dealings with the issue when I stepped down as Shareholder NED in May 2023.

#### **STATEMENT OF TRUTH**

I believe the contents of this statement to be true.

Signature: 

Date: 3 September 2024

**Index to Second Witness Statement of Thomas Cooper**

<b>No.</b>	<b>URN</b>	<b>Document Description</b>	<b>Control Number</b>
1.	WITN00200100	Tom Cooper First Witness Statement	WITN00200100
2.	UKGI00017887	Independent Audit Review of Board Effectiveness – March 2021	UKGI027894-001
3.	POL00438073	Board evaluation exercise 2021/2022 – Board Meeting 29 March 2022	POL-BSFF-095-0000009
4.	WITN10770300	Charles Donald Third Witness Statement	WITN10770300
5.	UKGI00044313	Guidance Note 14 – NED Appraisal – March 2023	UKGI053037-001
6.	UKGI00041682	CEO report – June 2021 (p. 24 of POL Board papers for 3 June 2021)	UKGI050577-001
7.	UKGI00049025	People Strategy Paper delivered by Angela Williams – July 2021	UKGI057781-001
8.	UKGI00018184	Minutes of QSM – 16 February 2021	UKGI028191-001
9.	UKGI00049024	Postmaster Survey Results (p. 5)	UKGI057780-001
10.	WITN10770200	Charles Donald Second Witness Statement	WITN10770200
11.	POL00447838	POL Board Evaluation Report 2022/23	POL-BSFF-106-0000078
12.	UKGI00044274	Guidance Note 21 – Whistleblowing and Serious Allegations – November 2023	UKGI052998-001
13.	RLIT0000201	Times Article – 19 February 2024	RLIT0000201
14.	UKGI00046940	Submission to Secretary of State – 5 November 2020	UKGI055789-001

15.	UKGI00049020	Email to Minister with submission of 19 January 2021	UKGI057777-001
16.	UKGI00049021	Submission – 19 January 2021	UKGI057778-001
17.	UKGI00035753	Approval by Minister – 26 January 2021	UKGI044648-001
18.	UKGI00049022	Submission – 6 May 2021	UKGI057779-001
19.	UKGI00049023	Submission – 24 March 2023	UKGI057782-001