

First Witness Statement of: Mr Brian Gaunt

Statement No: WITN11320100

Statement Date: 29 August 2024

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF BRIAN GAUNT

I, Brian Gaunt, WILL SAY as FOLLOWS:

Introduction

1. I make this witness statement in response to a Rule 9 Request for Information issued to me on 10 July 2024. This is the first request that has been made to me by the Inquiry.
2. This statement is my own evidence prepared independent of Post Office Limited (**POL**), and I have instructed a firm of solicitors, Kingsley Napley LLP, to support me in my preparation of this witness statement. Most of this witness statement is within my own knowledge and I believe that the facts are true. Where I have derived information from other sources, I say so and that information is to the best of my knowledge and belief.

3. The Rule 9 Request seeks a statement from me addressing a number of questions, primarily focussed on the changes that have been made within the organisation following (a) the findings of Fraser LJ in the Common Issues Judgment of 15 March 2019 (**CIJ**) and the Horizon Issues Judgment of 16 December 2019 (**HIJ**), and (b) resulting from other evidence arising out of the Inquiry, which go to the present relationship between POL and its sub-postmasters.
4. I have addressed those questions sequentially below, relying on relevant documents where appropriate. A full list of the docs exhibited to this statement is included in the accompanying index. Where I have quoted from any of these documents exhibited to this statement, these are in italics.

Background

5. By way of background, I joined the Board of POL as a Non-Executive Director (**NED**) in January 2022. I subsequently became a member of the Remuneration Committee and the Remediation Committee.
6. Since starting my professional life after graduating in Geography at Manchester University in 1980, my career has largely been in the specialism of Logistics and Supply Chain Management where I have worked in the manufacturing, retail and service sectors for major UK businesses including United Biscuits, B & Q, ASDA, Iceland and Booker Wholesale and Christian Salvesen. I was a member of the

Management Boards of The Big Food Group PLC (Iceland and Booker), as well as Christian Salvesen PLC.

7. In 2008, I was appointed Chief Executive of Home Delivery Network, which at the time was the largest privately-owned parcel delivery business in the UK. I led this business into its merger with DHL Domestic in 2010, the combination of the businesses creating the new entity Yodel. I left upon completion of the company merger and began to work as a NED - taking up appointments with iForce Ltd, a privately-owned company dealing with managing and delivering online orders (known as e-fulfilment) and with Mayborn, a baby feeding manufacturer owned by the private equity business 3i.
8. In 2013, I stepped back into an executive role as the Chief Executive of iForce, leading the business to a sale in 2017. I remained at iForce till June 2019 on a part-time basis to oversee the integration of the business into the acquiring entity.
9. After a brief break from work and doing some consultancy work, I took on non-executive roles in 2019 as Chairman of Buy it Direct Ltd (2019 – 2021), an online electrical retailer, and of Mosaic Fulfilment Solutions Ltd (2019 – 2022). I am currently the Non-Executive Chairman of ITD Topco Ltd, a parcel business (2021 – present) and of Specialist People Services Group Ltd (2023 – present).
10. It is worth noting that all of my previous roles as CEO or as a NED were in private businesses or private equity-backed businesses until taking up the NED role with POL.

Joining the POL Board

11. I was approached by head-hunters at Green Park to join the POL Board as the incumbent Senior Independent Director (**SID**), Ken McCall, was stepping down. Whilst not replacing Mr McCall as SID, my understanding was that I was seen as a replacement of sorts because my sectoral knowledge in the retail logistics and mail industry was similar to his – the idea being that I could help shape POL's strategy on that front. I was not, and am not, a governance expert.

12. I was appointed to the Post Office Board as a NED in January 2022. I understand a NED's role to be to provide support and guidance to the Executive, and to sense-check and give assurance that the business is making the right decisions based on evidence and facts.

13. I was subsequently asked to join the Remuneration Committee of POL in September 2022 (where I had to ensure that the rules we had in place for remuneration were suitable for a business of POL's size and that these rules were adhered to), and then the Remediation Committee in March 2023. I took on the role as Chair of the Remediation Committee in July 2024.

My understanding and experience of the Horizon IT system

14. As I explain below, as a result of my time on the Board, I now broadly understand what the software does and the historic impact it has had on people's lives and their family lives, and the mechanisms by which POL and the Government are trying to compensate people for their life-changing experiences. But I am not an IT expert,

and do not have an in-depth understanding of the software, or its functionality and flaws.

15. My knowledge of the Horizon software prior to joining the Board in January 2022 was very limited, consisting entirely of references within the national media relating to matters that have now been covered in detail by the Inquiry.

16. Since assuming my role at POL, my knowledge of the Horizon software as an Electronic Point of Sale (**EPOS**) and stock reconciliation tool has been developed through:

- a. My induction with POL management, store visits and a consistent stream of papers coming to the Board either relating to the Inquiry or remediation. I have also seen papers relating to the plan and build of software to replace Horizon, the training and roll out requirement of the new software, the need to extend our relationship with Fujitsu, and the extension of the Belfast data centre and the need to upgrade it. I have also seen funding papers for the Horizon extension and the build and roll out of its replacement for sign off by the Board and for submission to Government.
- b. Additionally, I have been in Board meetings that have agreed to seek external assurance on the initial decision by the Board in 2021 to build the new software, and have also seen that external assurance presented back to the Board.

17. The replacement of the current Horizon software, and the effective roll out and training of sub-postmasters (**SPMs**) and their staff on the replacement software is

key to the future of the business, and I cannot recall a Board meeting at which Horizon or its associated current and future needs have not been discussed in some form. But those discussions have not involved any insight into the technical aspects in the Horizon IT system, other than the need to respond to the HIJ and CIJ findings and ensure that these recommendations are satisfied in any future software (for example, the ability to dispute discrepancies on the software at the point of discovery).

Training and induction that received prior to, or on appointment to the POL Board

18. As I note above, this was my first Board appointment into a public business with its attendant governance requirements. Some aspects of how POL is run were therefore new to me.

19. I did not receive any induction prior to joining the Board. In particular, I was not fully briefed about the role of Government in the funding of POL, about the role of UK Government Investments (**UKGI**) in the business, on the CIJ and HIJ findings, or on the purpose of the Horizon Inquiry.

20. Upon appointment, my induction was severely curtailed by Covid with the majority of Post Office staff still working from home. As a consequence, all of my inductions, other than store visits, were conducted online, with 30-minute slots to meet each of the key Executives. I was given a 30-minute call with Tim Parker, the then Chair of the business, but did not meet with any of the other NEDs until the first Board

meeting - other than Tom Cooper, the UKGI Board member, for 30 minutes in February. Mr Cooper also arranged a UKGI induction via Teams which took place in March.

21. I also had a written brief [**POL00448507**] sent to me in an email on 21 January 2022 [**POL00448506**] by the Company Secretary, Veronica Branton, laying out the key issues facing the business, a historical explanation of issues arising out of Horizon, Government funding process/issues, the challenge (at that time) of receiving sufficient funds to deliver the future of the business, as well as avoiding the likelihood of the business wrongfully trading. It also contained a brief update on the cultural changes within POL aimed at making the business more focused on delivering for the SPM community. I was also given access to the Diligent system, which allowed me to review previous Board meeting papers. However, at that time, I did not have access to the papers of any of the associated Committees as they were not then shared with NEDs who were not members of the relevant Committee.

22. UKGI arranged for me to receive a two-day online course in April 2022 entitled "Public Bodies – Induction Training".

23. My first Board meeting was via Teams on 25 January 2022. The Board pack was 340 pages long and included papers on "Wrongful Trading and the obligations of NEDs". Reading these papers was the first time that I was made aware that there was a potential for the business to be wrongfully trading in the absence of a letter of support/comfort from Government.

Quality and completeness of any training and induction

24. My view is that the induction overall was quite poor. In particular, the interview process and the induction did not properly set out the extent of the problems that the business was trying to cope with. It was quite piecemeal, and there was no proper discussion or detailed briefing about major issues such as Horizon or the Inquiry (beyond the short document I was sent by the Company Secretary). The fact that Covid restrictions were just being lifted meant that a lot of the induction was carried out online and this did not help.

25. Throughout the interview process and when I joined the Board, my understanding was that my 'value add' on the Board was going to be around the mails strategy and capability i.e. the sector I had experience in. It was suggested that my focus was to be on that aspect (especially as revenues were declining rapidly) rather than on broader governance issues. I was advised by Tim Parker, the Chairman, that my NED colleagues, who were all from either legal or accountancy backgrounds, had the required knowledge and skills to manage the governance issue.

26. However, it became clear over time that I had been completely unaware of the scale of problems and issues. It has proved to be a rude awakening for me and, I believe, other NEDs. The other aspect that came as a surprise was the time commitment it required. My contract indicated that the role required 24 days in a year, but I have put in closer to 60-80 days per annum in each of the last two years to deal with the business' requirements. I do not think this was appropriately covered in the interview process, and I believe it should have been.

27. I believe that onboarding of NEDs has improved subsequent to my appointment, and I have spent time with all NEDs as they have joined POL. First of all, the business is now operating post Covid and therefore everyone has been available for face-to-face meetings. I was involved in the interview process for some of the NED positions in 2023 and I made sure that I expressed to all applicants the full extent of the problems that the business was facing and the level of time commitment and reliance required to act as a NED in the business. Secondly, all three of the more recently appointed NEDs joined at approximately the same time and it resulted in a more meaningful and in-depth briefing process. For example, I have seen proper briefing documents posted to Diligent which address the changes made to place SPMs at the centre of the business. This document was written specifically for the new NEDs joining the business. The opening of Diligent to allow access to all Committee materials to all NEDs facilitates an understanding of the key issues and discussions in the business, and how they are being addressed.

Briefings on issues within the scope of the Inquiry

28. I did not receive any such briefings prior to joining the Board.

29. My sole briefing was in the form of the document from the Company Secretary that I previously referred to [**POL00448507**]. The briefing paper was 18 pages long of which 4.5 pages related to Horizon, the Group Litigation Order, and the Inquiry. Whilst good background, I did not consider it to be adequate in terms of either depth or thoroughness.

30. Reviewing previous Board meeting papers available in Diligent would have been my only other source of written material.

POL's current corporate governance arrangements

31. As I note above, given my previous experience was in businesses of a very different nature, it would be difficult for me to compare and contrast governance at POL with any other public body or PLC. The governance within privately owned businesses is significantly different to that in a public body like POL, and therefore I have no direct comparator. Additionally, I am not professionally qualified and therefore unable to reflect on this question in the way that someone with legal or accountancy background may be able to.

32. My key observation would be around the considerable churn of personnel at Board level. The obvious weaknesses in governance have been revealed through the public scrutiny that POL has rightly been subjected to. I would attribute some of this to a lack of continuity in approach as a result of the ever-changing cast at Board level. My 30 months with POL which has seen me working with four Chairs, and seen the departure of three SIDs, two NEDs and one Company Secretary. This creates challenges for the organisation.

33. In general, however, there has been an understanding for some time that POL governance needs to be brought in line with modern day best practice. As the Inquiry is aware, prior to his removal as Chair of POL, Henry Staunton

commissioned a review of POL governance by Grant Thornton [POL00446477]. The Board has fully engaged with this process, has reviewed and agreed the findings, and is now committed to making the recommended changes contained within the report. This report has been shared with the Inquiry. On 9 August 2024, the Board received their first update paper on the agreed actions and timelines for delivery.

34. I believe that the Board is now in a place where it has a good range of capability and experience that was not previously available, and governance is improving as a consequence. Three NEDs were appointed in the summer of 2023 and will have three-year tenures which can be extended by a further three years. Whilst the SID stepped down in July 2024, one of the newer NEDs has stepped up to replace him – Andrew Darfoor. I expect that this group will provide the nucleus that will ensure that the improvement in governance we have recently experienced will continue for some time. As an example, Amanda Burton, as Chair of the Remuneration Committee, has quickly got to the bottom of the issue on Executive bonuses, and has put clear rules and schemes in place to ensure that the shareholder and Executives have clear line of sight to the appropriate achievements that would generate bonus remuneration.

Changes in POL Culture

35. I have been asked to comment on the culture of POL at Board level, and any reflections I may have on the ways in which the culture has or has not changed

following Fraser LJ's CIJ and/or as a result of evidence provided by others to the Inquiry.

Impact of the CIJ on the culture

36. I was not in the business until 2022 and therefore am unable to comment on how the culture at Board level has or has not changed following the Fraser LJ's findings – a lot of changes were already in train when I joined the Board.

37. I believe that the appointment of Postmaster NEDs to the Board was a key response to the many issues highlighted in the CIJ. My view is that their presence and involvement in Board meetings and Committees has been a very powerful catalyst for change within POL. I have not experienced the attendance of workforce representatives in any of the businesses that I have been associated with, but have been very positively influenced by the contribution that the two Postmaster NEDs have made.

38. They effectively act as the conscience of the Board and whilst their feedback can be uncomfortable to hear at times, I believe that it has helped significantly in the journey POL is making to make SPMs the centre of the business.

Impact of Inquiry evidence on culture

39. The key takeaways from the Inquiry are shared by the Board on a weekly basis and I believe that all Directors have attended the Inquiry in person at least once,

and observed televised sessions to supplement their knowledge. I believe that the Board are united in wanting our SPM population to feel that they are the most important people in our business, and to find ways to remunerate them adequately for the role that they play in our local communities.

40. The Inquiry proceedings have served to reinforce the Board's commitment to learning from the mistakes of the past, as well as ensuring that any changes in the commercial proposition or in process/system are discussed by the Board through the lens of how it may impact SPMs.

41. My overarching view is that I believe the culture at Board level at POL is challenging, supportive, inclusive, respectful and still developing. The development of a single purposeful culture has – just as with the NED population – been hindered by the changes that have been experienced within the Executive team during my tenure. The Board needs a settled period to develop a sustainable and constant culture in the future. Attracting high quality individuals to a business with the scale and number of issues that the Board will continue to be another challenge.

Action taken to change culture

42. As I note above, a large number of the action points arising out of the CIJ and the Inquiry were already in place within the business prior to my joining, which makes it difficult for me to reflect on how effective the changes have been. That said,

what I can say is that there has clearly been a concerted effort to change the culture of POL in recent years.

43. In terms of direct action to ensure the necessary business/cultural change within POL and how that is working in practice, I receive the following information that allows me and other NEDs to assess progress:

- a. There have been quarterly updates provided to the Board by the Chief Operations Officer (initially Dan Zinner and then Martin Roberts).
- b. Mr Zinner led a group of Executive Directors called the Improvement Delivery Group. This Group was responsible for monitoring and validating progress and auditing actions identified within the CIJ and HIJ recommendations and findings to improve the Horizon software, operating processes, and managing the contractual relationship with SPMs – all with the central cultural objective of placing SPMs at the centre of the business.
- c. Following Mr Zinner's resignation from the business in 2022, the responsibility for maintaining progress on the improvement initiatives was taken over by Mr Roberts. He produced a Retail Performance Dashboard which has 37 metrics for review at the periodic Executive Board meetings, and also on a quarterly basis for the POL Board. For completeness, I note that Mr Roberts stepped down from his role at the end of July 2024. An interim COO has been appointed to replace him, and my assumption is that he will continue to provide the Board with updates.

44. The first Board report I received on these matters was prepared by Mr Zinner in March 2022 [POL00448508]. This indicated that in June of the prior year (2021),

the Improvement Delivery Group had reported to POL Board that there were 392 improvement items of which 280 were closed as completed and 48% of these had been audited for completeness. The report update for March 2022 indicated that the number of actions had increased to 516 but that 87% of these were closed as completed and 62% of these actions had been audited as completed. The Board were advised on the status of the non-completed items and the cost to date of the changes needed to conform to the recommendations of the CIJ and HIJ. Consequently, a large element of the actions in the two judgments were already in place within the business prior to my joining, which (as I say above) makes it difficult for me to reflect on how effective the changes have been.

45. The Audit Committee has oversight of the Retail Performance Dashboard on a periodic basis, adding another level of assurance on progress and achievement.
46. There appears to be considerable progress in terms of actions to implement the necessary changes. I believe that there is adequate monitoring across the business of all of the key metrics that allows the Executive to see that they are acting in the best interests of SPMs, and typically the metrics that are produced continue to show positive trends.
47. There are a limited number of actions suggested by the HIJ that cannot be delivered within the existing software version of Horizon. My understanding is that the delivery of New Branch IT (**NBIT**) and the development of new processes around this will allow POL to complete all of the actions contained within both the judgments, and should allow for any further outcomes from the Inquiry report to also be built into the new software and into the associated operating procedures.

48. In my experience in industry, cultural change programs take significant time to produce meaningful and sustained change. The culture of the business will continue to evolve as new principles and ideas are added by colleagues wanting to change the business further through their feedback or through ideas gained as a result of experience in other businesses. But I do believe that the culture of POL has changed positively and continues to do so.

49. However, there will always be a debate about whether the culture has changed quickly enough or not. I only joined the Board in 2022 so I have no direct experience of what the culture used to be other than through what I read and hear of those times. As a fresh but experienced pair of eyes walking into the business in 2022, and with 45 years of working in large businesses operating through thousands of colleagues, I can say that the business continues to talk about its culture, and that it has a deep sense of guilt at the harm that it has caused its SPMs, accompanied by a desire and willingness to put things right. I also believe that this desire has and is being translated into tangible action.

Trust between POL and SPMs, managers and assistants

50. Many of the changes resulting from the two judgments have helped to regain and build trust with the SPMs and colleagues. The changes to software, particularly the addition of the dispute capability, have provided for a much more stable software platform and there are now far more equitable processes in place to explore the reasons for items being in dispute with the SPM, rather than them being

immediately being seen as guilty of fraud or theft. POL has not yet reached the finish line here but significant progress has been made.

51. One barrier to relations between SPMs and POL remains. I have never understood why POL was placed in the position of being the arbiter of Horizon-related compensation claims and the determination of the value of claims as this, in my view, cuts across the desire for there to be a trusting relationship between SPMs and POL. I believe that the duty of determination of an individual's right to compensation and the quantum of payment should have been handled outside POL in the way that the Group Litigation Order scheme was. Whilst I believe that the process that has been developed is applied with fairness and with a real desire to pay wronged individuals (with the right of applicants for compensation to appeal to an independent panel with independent legal advice reimbursed by POL), it still feels like POL is marking its own homework and this does not feel right.

Board relationship and approach towards SPMs

52. My experience of the Board is that it believes and supports the requirement to place SPMs at the centre of the business, and that everything POL sets out to achieve should seek to a) support the SPMs in delivery of service to customers; and b) also aim to improve SPM remuneration.

53. SPM sentiment and feedback is largely focused through the two postmasters serving on the Board as NEDs – Elliot Jacobs and Saf Ismail (**the Postmaster NEDs**) - who have both worked hard to build a network of contacts across the postmaster and SPM community, which enables them to effectively feed back on

various issues. They have been a valuable addition to the Board, and at times have challenged the Board's thinking. There are competing pulls and pressures as a result. The Board has on occasion had to try and help find a middle ground between the demands of the Postmasters NEDs and the need to maintain a viable business. The Postmaster NEDs have also on occasion criticised initiatives, which has resulted in some embarrassment to the Executive Directors and the Board more generally. This need not be a negative - from my experience, this provides a healthy tension which drives a necessity to keep talking about the need to SPMs to operate financially viable businesses. As the Postmaster NEDs have got more embedded, the Board has found itself conferring and consulting much more with them prior to landing initiatives, and the Postmaster NEDs spend a great deal of time making themselves available to talk through proposed changes.

54. Beyond that, direct contact with SPMs is limited. I believe that most Independent NEDs have attended at least one postmaster conference. I attended one in 2022, which gave me the opportunity to listen to a large number of SPMs. Typically, their feedback was pointed, helpful and supportive. I believe that everyone in the Post Office buys in to what we offer and provide to our communities, and I believe that there is alignment of this purpose within POL as an organisation. As I have previously stated, I believe that the Board understand that the SPMs and colleagues who work in branch are fundamental to the elevated position that the Post Office brand has in the general public and that POL needs to do everything that it can to maintain and to build on this. This requires us to involve them in the shaping of the business, listen to their feedback, treat them with fairness and respect, recognise them for their efforts in the community, and pay them fairly. Without the continued goodwill of the SPMs, the business is nothing.

55. The topic of fair payment is one that the Board continues to grapple with as it strengthens its relationships with SPMs. The recent increase in the living wage, rent increases on the high street, and energy costs have had a significant negative effect on the profitability of Post Offices across the country. The Postmaster NEDs are always challenging the overhead costs of the business and seeking increased remuneration for the transactions that they carry out in store. I believe their challenge is a fair one as all revenue is generated in store, not in Head Office. But to achieve this, POL needs financial support to deliver modernisation to allow it to reduce its central overhead costs. These issues have been shared with UKGI and with successive Ministers when the business has applied for funds to modernise the Post Office, but funding has consistently been significantly short of requirements. In addition, the subsidy the Government provide to keep the non-profit-making franchisees open is below the actual cost of maintaining their presence. POL needs investment both at the centre and at branch level to drive operational efficiencies. Without doing so, it cannot create a more profitable business from which SPMs can derive a higher income.

Board relationships with external stakeholders

56. The Board does not have a direct relationship with the Communications and Workers Union (“**CWU**”), the National Federation of SubPostmasters (“**NFSP**”) or Fujitsu. With these three organisations, relationships are managed by the Executive team and reported on by the CEO to the Board.

57. There is a closer link with UKGI given their presence on the Board. UKGI also act as a conduit with the Department for Business and Trade (**DBT**).

CWU

58. The CWU represent the directly employed workers of the Post Office in what is now a largely franchised business (well over 90% of Post Offices are independently operated). In these circumstances the number of employees engaged by Post Office and represented by the CWU is declining steadily as the remaining Directly Managed Branches are converted to franchise businesses. Typically, advice to the Board regarding dealings with the CWU is focussed around the annual pay negotiation and award. The recent review of Board Governance by Grant Thornton [POL00446477] has suggested that the Remuneration Committee put workforce pay negotiations onto their agenda and this has been agreed.

NFSP

59. The relationship with the NFSP is a formal one that recognises them as the body that represents the SPM population. The agreement is in place until 2030. The relationship with the NFSP lies with the Executive management team but the Board is advised of any points of discussion that the Executive believes need Board knowledge or decisions.

60. I am aware that there have been concerns raised about the independence of the NFSP. My view is that it can be difficult for a trade body to represent its members when it is dependent upon funding from POL.

61. My understanding is that in light of the CIJ, the POL Executive team has taken on board the lack of independence resulting from the existing grant arrangement, and has renegotiated the funding agreement to balance the need of the NFSP to be seen and to act independently whilst also ensuring that POL money (which is ultimately taxpayers' money) is spent with appropriate oversight. For example, my lay understanding (without having sight of the specific clauses) is that NFSP was previously prevented from using funding for public demonstrations against POL or to publicly challenge POL. POL could clawback funding where it deemed it be inappropriate. Following recent negotiations between the Executive team and the NFSP, I understand that the clawback has been removed, NFSP can now use monies provided for public demonstrations and to challenge POL. I am not aware of the specifics of the funding agreement, but this seems to me to be a sensible change.

Fujitsu

62. The relationship with Fujitsu is largely managed by the CEO and the CTO, and I do not have any direct involvement. Fujitsu are an ongoing supplier to POL, and that relationship is key to the future migration from the existing Horizon system – especially as the current service agreement for the ongoing maintenance of Horizon terminates well before the ability of POL to provide an alternative IT platform. Discussions about the extension of the Fujitsu contract are ongoing and the Board is advised on this at regular intervals.

UKGI

63. UKGI have a permanent representative on the Board and on each of the Board sub-committees. They attend every meeting of the Board and sub-committees. They provide guidance to the Board and Executive on working with Government, particularly DBT. At times the relationship between the Board and the UKGI has been difficult – less so since the appointment of Lorna Gratton who, after initial clashes with the former chair Henry Staunton, has forged a collaborative relationship with Board members.

Department for Business and Trade

64. There is no direct relationship with DBT as everything tends to be directed through the UKGI representative. Since I have been on the Board, the Board has had visits from the Minister for Small Business, Consumers and Labour Markets, Jane Hunt, in July 2022, the Minister for Postal Affairs, Kevin Hollinrake, in December 2022 and July 2023, and from the Secretary of State for Business, Kemi Badenoch, in March 2024. Ministerial attention has increased more recently as a consequence of the ITV drama and the Select Committee review.

65. I believe that it would be advantageous for DBT to have a more direct relationship with POL particularly around strategy, and in helping POL to balance the competing requirements it faces of trying to be a self-funding commercial business whilst continuing to provide a social purpose for 11,500 communities in the UK.

Current composition of the Board

66. As I have said previously, there is a good mix of experience now on the Board. I would make the following additional observations on the changes since I joined:

- a. The quality of governance by the Independent Directors is significantly better than I witnessed when I joined the Board. The quality of diligence that is now being applied to governance is much improved from 2022 and Executive management are having to adapt to this.
- b. As well as the purpose of ensuring good governance, the Board constituents are also expected to provide sectoral knowledge and experience to assist the Executive team in delivering improved business performance and, consequently, improving SPM remuneration. I believe that this now exists with sectoral representation across Banking, Insurance and Mails supplemented by the two Postmaster NEDs who bring front line and practical knowledge and experience to the debates. I do not believe that this has been the case throughout my tenure.
- c. The UKGI Board representative has changed and Lorna Gratton, the new UKGI representative, has brought a much more collaborative approach to the Board. This has helped the Board understand the need to build a better relationship with its key shareholder through more effective and timely communication. At the point of joining the Board, the relationship between Tim Parker, the Chair, and Tom Cooper, the UKGI representative, was

strained with frequent clashes on the direction of the business. The change of both the Chair (with Henry Staunton's appointment) and the UKGI representative (Lorna Gratton), initially increased the tensions and there were notable clashes between Mr Staunton and Ms Gratton which were not conducive to the running of an effective Board. The clashes appeared to be limited to their relationship, and the remainder of the NEDs have found Ms Gratton to be engaging and professional, and an effective challenger of ideas and decisions.

- d. The Postmaster NEDs are only appointed for a 3-year term and both of the current incumbents – Saf Ismail and Elliot Jacobs - were originally due to stand down this year. The original process put in place for the election of the Postmaster NEDs was clear that the term was for 3 years, in order to allow the responsibility to be shared amongst other SPM representatives who may wish to sit on the Board. The current Postmaster NEDs made it clear at Board that they both felt that it would be the wrong time to make a change as the learning experience that they had needed to embark upon to be effective Board members had taken a significant amount of time. They were both concerned that new appointees to the Board would be less effective at a time when significant change was taking place in POL. Their terms were initially extended for a further year in case of Mr Ismail and by a further three months in the case of Mr Jacobs. Mr Jacobs has subsequently had his tenure extended further. I believe it would be appropriate for both Postmaster NEDs to have their tenures extended beyond this to continue to maintain progress.

67. In terms of the skillsets that I believe the Board should always have, I would suggest:

- a. The presence of at least one representative who is legally qualified and has extensive legal experience is valuable, given the number of challenges which require legal expertise. Whilst external legal advice can be (and is) brought into the business, it requires someone on the Board to help the Executive team by providing advice, guidance and challenge - particularly with regard to the employment of external legal advisors and ensuring that we obtain value for money. Currently, the Board has considerable legal experience within its ranks.
- b. At least one representative who is a qualified accountant and has extensive experience of audit is always essential in order to have oversight on the financial processes and to lead the Audit Committee.
- c. Sectoral experience in, among other things, retail operations, the insurance and banking sector, the mails sector, digital (online) services, and IT software development and deployment, is also helpful. The categories are not mutually exclusive and one Director may be able to bring experience in more than one specialism. But it is helpful to have this expertise in order to help the Executive develop POL's trading proposition to its customers, and to provide external challenge to strategic decisions.

- d. In terms of the need for IT experience, my view is that the Board does not necessarily need an IT specialist as such i.e. someone with specific experience in writing code or with a high degree of technical knowledge. I believe the Board needs experience of significant businesses change and transformation associated with a change in core IT systems and associated operating processes. Currently, the Board has some of this experience through Andrew Darfoor, Elliot Jacobs and myself, but requires more.
- e. The presence of a UKGI representative is valuable in my view. Indeed, I think more experience is probably required on the Board from individuals who are experienced in managing Government. The appointment of Nigel Railton as interim Chair should help significantly in this area.
- f. Finally, for the reasons I have already set out, it is desirable to continue to have Postmaster NEDs on the Board.

Whistleblowing

68. While I am aware that there are practices and policies in place now to encourage whistleblowing, I have had no direct involvement in the development of these policies. I also do not have any knowledge about how frequently it is used or how it is perceived by POL employees.

69. In terms of what those formal structures are - there has been a Speak Up policy in place for some time, which is updated annually to ensure it remains current. The

latest version of the Speak Up policy is now at Version 9.0 and was updated in May 2024.

70. The Speak Up policy is owned by the Director of Assurance and Complex investigations with support from the Group Legal Counsel. The policy is reviewed by the Executive team, and submitted to the Audit and Risk Committee for approval on an annual basis. The Board has delegated responsibility to the Audit and Risk Committee to oversee compliance with the policy and to report back on any issues with its efficacy.

71. The Board does not hear about individual whistleblowing reports as this information is confidential. The Board has appointed a Speak Up champion – Amanda Burton – who supports the Speak Up process and who advises the Board if there is anything that she feels that requires their input or oversight. The SID, Ben Tidswell, also acted on behalf of the Board as the first NED Investigations Champion – a role which involves oversight over the Investigations Director and his team. This role is now carried out by Andrew Darfoor.

72. Overall, there has clearly been some thought given to how to encourage whistleblowers to raise any concerns. In my experience, the structures in place are a lot more thorough and robust than in a number of PLCs that I have worked in. The appointment of a NED Speak Up Champion to encourage colleagues within POL to use the process is a positive development, and adds a further layer of assurance whilst helping to promote the opportunity to colleagues to call out issues that they see or experience within the business.

Active complaints

73. In my two and a half years on the Board, I have been made directly aware of one formal Speak Up allegation in June 2023, one complaint letter in August 2023, and one anonymous email in May 2024.

- a. The Speak Up allegation (dated 27 June 2023) and associated remedial actions were discussed at an additional Board meeting called specifically for that purpose by Mr Staunton on 5 July 2023. The minutes of this meeting were included for approval in the pack of documents for the Board meeting of 26 September 2023 [**POL00448509**]. In terms of matters relevant to the Inquiry, the allegations referred to defects within the code being constructed within NBIT, the timeline for roll-out of the new software, and the alleged poor governance being deployed by Executive management. Additionally, there were complaints about the conduct of some members of the Executive management team including Mr Read, albeit this has not been reflected in the minutes. The allegations regarding NBIT were responded to by the CEO, Nick Read, at the Board meeting. Mr Read advised the Board of his intention to appoint Accenture and KPMG to review the NBIT programme including the delay in delivery, and to understand the nature of bugs and defects within the software. He also indicated the need to appoint a CTO (Chief Transformation Officer) to bring together NBIT, retail transformation and “path clearing” (a programme of work designed to prepare SPMs for the introduction of new processes and dealing with stock balances). Additionally, he recommended the appointment of Owen Woodley, an existing member

of the Executive group, to the role of Deputy CEO with the remit to manage the review of NBIT and the transformation project with immediate effect - with the intention of transferring these responsibilities to the CTO at an appropriate time. Mr Read also recommended that Andrew Darfoor be asked to assume the responsibility of chairing a new Board committee to oversee the NBIT programme. These recommendations were accepted by the Board and subsequently implemented. This allegation also precipitated the appointment of Amanda Burton as the Speak Up Champion.

- b. It was agreed that the allegations contained within the note regarding conduct concerns would be investigated by the Head of Assurance and Complex Investigations, with support from Ben Tidswell and Amanda Burton if required.
- c. The Board papers relating to the meeting of 5 July also refer to two other whistleblowing allegations that were made in emails of 30 June. The emails were not shared with me, but the Board papers show that one of these related to NBIT testing and the Board agreed for this complaint to be included in the review of NBIT by KPMG and Accenture.

74. In August 2023, there was a complaint letter from POL's former Group HR Director, Jane Davies. The letter made allegations about Mr Read's conduct and suggested that he was trying to redirect her purpose from transforming POL culture and supporting SPMs, to a personal agenda of securing an enhanced remuneration package and the removal of Alisdair Cameron as Group Finance Director. I believe

that this matter was initially referred to the Head of Assurance and Complex Investigations, John Bartlett, for investigation. Subsequently an external independent barrister from Devereux Chambers was appointed by the SID, Ben Tidswell, to conduct an inquiry into the allegations concerning the conduct of Mr Read. The findings of this report were presented to the Board on 8 April 2024 and exonerated Mr Read of the allegations.

75. A further anonymous email was addressed to Nigel Railton, the interim Chair, on 28 May 2024, which made various allegations against Nick Read and other senior executives of POL. The Board discussed the letter on 4 June 2024 and agreed that Ben Tidswell should investigate the content of the letter to establish whether these issues were new or whether they had already been covered in the investigation into Nick Read's conduct arising from the allegations made by Jane Davies. Having reviewed the allegations, Ben Tidswell recommended to the Board that the allegations added nothing further, and that no further action needed to be taken.

76. For completeness, I note that I have only identified what I consider to be complaints through the whistleblowing processes within POL, rather than grievances that may have been raised separately through the usual HR processes.

77. The Board has been made aware through a recent briefing paper titled "Out of Cycle – A&CI reporting" that there are a number of investigations that are ongoing across the business, one of which may have been raised through the whistleblowing process. This investigation is ongoing and the names of the

individuals being investigated have rightly been shielded from the Board to protect them until the outcome of the investigation is complete.

Legal Professional Privilege

78. The Inquiry has asked me about the extent to which I understand issues of legal professional privilege and the extent such information may be shared with the Board of a company.

79. The starting point is that I am not legally trained. My layman's understanding (albeit as someone who has extensive experience of working on and with Boards) is that legal privilege is used to allow discussion/communications between legal representatives and their clients without having to be disclosed to any other parties.

80. In POL, the decision to categorise whether or not material being presented is subject to legal professional privilege is taken by the Company Secretary who is legally qualified. The majority of papers enclosed within the Board reports whilst confidential are not subject to legal privilege (the exception being papers predominantly concerned with the Inquiry or with commercial trading negotiations). I also sit on the Remediation Committee and all papers are subject to legal professional privilege. I am unaware of papers that may be circulated which I have not been able to see due to the use of legal privilege.

81. Overall, I believe that we are kept fully abreast of legal developments and I would say that we are provided with more than adequate legal documentation. A periodic

report is prepared for our benefit, which is talked to by the chairs of different committees, and we are provided with supporting papers. I have never felt that I do not have the legal information that I am required to know. I also now have access to meeting minutes of various committees, which gives me more detail on particular legal issues if that is ever necessary.

Key events

82. I have been asked to consider and comment on the matters raised in the Times article of 19 February 2024 **[RLIT0000201]**.

83. The first time I became aware of the concerns of Mr Jacobs and Mr Ismail (the Postmaster NEDs) that they “*were ignored and seen ...as an annoyance*” by other members of the POL Board was when I was sent a written record of a discussion that had taken place between the then-Chairman Henry Staunton, Mr Jacobs and Mr Ismail **[POL00448300]**. This written record (titled “Project Pineapple”) was sent as an attachment in an email to the Board on 16 January 2024 **[POL00448503]** titled “Future of Post Office Branches”. Project Pineapple was a code name given by Mr Staunton to a communication between the two Postmaster NEDs to Mr Staunton in which the Postmasters complained that the Executive team were dismissive of them, and had failed to take action in response to feedback that they had given. They also complained about the central operations team and the way in which investigations into individuals were still being carried out. The email also included a note that had been sent to Mr Staunton on 15 January by a group called the Voice of the Postmaster, a small collection of SPMs who appeared to be

unhappy that their views were not being relayed to the Board by the NFSP [POL00448504]. The note and covering letter [POL00448505] called for a meeting between Mr Staunton, the Postmaster NEDs, the Government, UKGI and DBT to discuss a number of matters.

84. Mr Staunton requested that the Board discussed the content of the two notes at an extra Board call that he set for Thursday 18 January 2024. I could not attend the Board call as I had a previous engagement to chair the board meeting of another business that I work with.

85. On the evening before the meeting (17 January), Mr Staunton and I had a telephone call. The purpose of the call was to persuade me to take up the role as Chair of the Remediation Committee, but we also briefly discussed the meeting scheduled for the next day and the "Project Pineapple" note. Mr Staunton went on to complain about the decision to bring in a SID replacement with experience of Whitehall and Government, and that the Board lacked commercial expertise beyond Andrew Darfoor and myself. Mr Staunton felt that UKGI were exerting too much control over POL's operations and that they were trying to stop him from managing the business. He also mentioned that both Nick Read and himself were under investigation by the General Counsel (Ben Foat), although we did not discuss why. Throughout the call, I listened to him, but made no comment.

86. On the night of 18 January (after the meeting), Mr Staunton sent me a direct email regarding the appointment of a new SID. He added a post-script to the email relaying the fact that Nick Read had forwarded the Project Pineapple note to Ben

Foat (the General Counsel) and to Martin Roberts (the COO), both of whom were subject to criticism within the content of the note. He claimed that the Postmaster NEDs were very worried because of the power that Mr Foat wielded in his role as General Counsel with responsibility for investigations of SPMs.

87. At some point over the next week, I received a call from Mr Ismail. Unfortunately, my call log has not retained the date and time of this call. Mr Ismail asked me for my opinion on Project Pineapple and the leaking of the note by Nick Read. I told him that I thought that Mr Read had betrayed his and the Board's confidence, and that he needed to be reprimanded. Mr Ismail informed me that Mr Read had not made any attempt to contact him and that he had not received any form of apology. I suggested to Mr Ismail that he made the Chair aware of this and that Mr Read give a personal apology to him before the next Board meeting and that Mr Read should apologise at the meeting to the whole Board for his action.

88. I have personally never subscribed to the suggestion that the Postmaster NEDs are "*ignored and unwanted*", nor have I seen any behaviour from my NED colleagues that would suggest this. I know that I have valued the input of the Postmaster NEDs.

89. This may have been the case with the Executive directors who sat on the Board as there were times when the Postmaster NEDs brought knowledge of the business in post offices to the Board that cut across the briefings that Executive Directors were providing, and in doing so, caused embarrassment to the Executive Directors.

90. My one observation would be that the lack of experience of working in a board setting occasionally led the Postmaster NEDs to criticise relatively junior people in the organisation who were presenting to the Board. In my opinion, this was never done through malice but through a lack of experience. Both Postmaster NEDs through their time served on the Board have moderated this approach and now take detailed matters up outside of the meeting with the Executive team if they believe that this is merited.

91. From a personal perspective, I have always made myself available to support Mr Jacobs and Mr Ismail through the experience of being on a board and have taken calls and emails from both of them asking me for my opinion and advice on various matters. I feel certain that they would endorse this.

Mr Staunton's dismissal

92. While Mr Staunton had mentioned that he was under some sort of investigation, I was not aware of the detail. News of his dismissal therefore came as a surprise to me.

93. After my exchange with Mr Staunton on 18 January, I heard nothing further from him until 17.33 on Saturday 27 January when I received a call from him. Unfortunately, I could not take the call at that time. We ended up speaking later that evening, when he told me that he had been removed from his role by the Business Secretary, Kemi Badenoch. I asked why and he suggested that an investigation

had been opened into his conduct and that allegations had been made against him with regard to racist comments and behaviour. I expressed surprise at this as I had never seen Mr Staunton display behaviour that could be described as racist. He went on to say that he felt that this had been instigated by UKGI as they felt that their control of the business was coming under pressure.

94. Following Mr Staunton's call, I took a call from Mr Ismail as well and we discussed the news and the reasons for Mr Staunton's dismissal. Mr Ismail indicated that he had not seen any racist behaviour from Mr Staunton either.

95. A Board call was scheduled by Ben Tidswell (the SID at the time) on Sunday afternoon (28 January) to discuss Mr Staunton's departure, and a broader explanation for Mr Staunton's departure was shared with the other NEDs. Mr Tidswell made it clear that Mr Staunton's actions had become increasingly erratic in the last few weeks, that he was under investigation and had tried to close the investigation down, and that in an organisation under justifiable scrutiny, it was not acceptable behaviour (particularly given whistleblowing had previously been disregarded within the organisation). He explained that he had not been in a position to share the nature of the investigation with the rest of the Board because of its confidential nature.

Alisdair Cameron's resignation

96. I have limited knowledge of the circumstances leading up to Mr Cameron's resignation. My understanding is that he fell ill around the end of April / start of May

2023. The last time I saw him at a Board meeting was in March 2023. As his illness continued, a member of his team was asked to carry out his duties on an interim basis. Mr Cameron remained absent due to his illness and never returned to work before stepping down in June of this year. My understanding is that a compensation package was subsequently agreed with Mr Cameron.

General

97. I believe I have set out my key comments, reflections and concerns about experience on the POL Board in the preceding paragraphs, and do not have any general observations to add beyond those. I also do not consider there to be any other matters that the Chair of the Inquiry should be aware of.

STATEMENT OF TRUTH

I believe that the facts stated in this witness statement are true.

Signature  _____

Name: Mr Brian Gaunt

Date: 29 August 2024

Index to First Witness Statement of Brian Gaunt

No	URN	Document description	Control Number
1	POL00448506	Email from Veronica Branton to Brian Gaunt on 21 January 2022 attaching a briefing note	POL-BSFF-WITN-015-0012902
2	POL00448507	Document titled "Briefing Note for Brian Gaunt, Non-Executive Director – January 2022"	POL-BSFF-WITN-015-0012903
3	POL00446477	Post Office Limited Governance Review by Grant Thornton – Final	POL-BSFF-099-0000003
4	POL00448508	Note titled "Update on the Improvement Development Group" in Board pack in advance of 29 March 2022 meeting	POL-BSFF-WITN-023-0000002
5	POL00448509	Minutes of 5 July 2023 Board meeting contained in Board pack in advance of 26 September 2023 meeting	POL-BSFF-WITN-023-0000003
6	RLIT0000201	Times article " <i>Postmasters on Post Office board 'ignored and unwanted'</i> " (19 February 2024)	RLIT0000201
7	POL00448300	Email chain of 14 and 15 January 2024 between Postmaster NEDs and Henry Staunton	POL-BSFF-WITN-005-0010720

8	POL00448503	Email of 16 January 2024 from Henry Staunton to various board members attaching Project Pineapple note	POL-BSFF-WITN-005-0010721
9	POL00448504	Voice of the Postmaster note titled "Press Release – Voice of the Postmaster 15.01.24	POL-BSFF-WITN-005-0010722
10	POL00448505	Voice of the Postmaster letter to Henry Staunton	POL-BSFF-WITN-005-0010723