

Witness Name: Donald Brydon

Statement No: WITN10320100

Dated: 11 November 2024

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF SIR DONALD HOOD BRYDON

I, SIR DONALD HOOD BRYDON, will say as follows:

INTRODUCTION

1. I was Chair of Royal Mail Holdings plc ("**RMH**") from 27 January 2009 to 10 September 2013 and Chair of Royal Mail Group Limited ("**RMG**") between 27 January 2009 and 31 August 2015¹. I then became acting Chair of the RMG's 100% subsidiary, Post Office Limited ("**POL**") from 1 May 2009 until 22 September 2011.
2. This witness statement is made to assist the Post Office Horizon IT Inquiry (the "**Inquiry**") with the matters set out in the Rule 9 Request dated 7 August 2024 (the "**Request**"). The Request asks me to comment upon events that now took place over a decade ago. Due to the significant amount of time that has now

¹ I refer to RMH and RMG collectively throughout my statement as 'Royal Mail'. The terms 'the Group' and 'Royal Mail Group' are used to denote RMH, RMG and POL collectively.

passed, and the many senior roles I have undertaken since, it has on occasion, been challenging for me recall certain information. During my time as Chair of Royal Mail, I recall that I was in the habit of keeping a day book(s) in which I made notes at meetings to serve as aides memoire. I am no longer in possession of these books and therefore have constructed my answers from memory. I should also note that since my departure from Royal Mail and POL, I have read extensive press coverage in relation to the issues covered by the Inquiry. This has made it difficult for me distinguish definitively between information I knew at the time and information I have learnt since my departure. Regardless of this, I have provided responses to the best of my ability.

3. I have been provided with some documentation by the Inquiry which has aided my memory. I have also asked the Inquiry for copies of a limited number of documents, some of which have been provided to me. However, I understand that some documents are no longer available. If further documentation becomes available to the Inquiry, I would be grateful for the opportunity to review this material and update my statement where necessary. I also wish to add that if the Inquiry would like me to comment upon any specific subjects, documents or events not covered by my statement that relate to my role at Royal Mail or POL, then I would be happy to do so.

4. I have structured this statement into nine sections. In the first section, I provide the relevant background, including my career and appointment as Chair to the boards of Royal Mail and POL. In section two, I describe the corporate structure of the Group during my tenure. In section three I discuss my role as Chair, the role of the board and executive management of Royal Mail and POL. I further address specific questions within the Rule 9 request in respect of the allocation

of responsibilities. In section four, I explain my knowledge of the Horizon IT system during my tenure at Royal Mail and POL. In the fifth section, I comment upon the audits and reviews of the Horizon IT system and selected documents that have been provided to me by the Inquiry. In section six, I discuss the separation of POL and Royal Mail. In section seven, I comment upon documents which have been provided to me by the Inquiry relating to complaints by SPMs. In section eight, the final section, I offer some thoughts and reflections. I am grateful for the opportunity to reflect on my involvement in Royal Mail and POL.

5. Having reflected on the events with the benefit of hindsight and the scrutiny of the Inquiry to date, it is clear that matters were not as transparent as they should have been. I wish to assist the Inquiry in every way possible and support the work being undertaken to identify the failures that took place which led to these tragic events and prevent any sort of recurrence in the future. I wish to extend my sincere sympathy to those whose lives have been affected by these events, both SPMs and their families.

SECTION 1: BACKGROUND

6. I have a BSc in Mathematical Science from the University of Edinburgh (1966). Prior to joining Royal Mail, I had a career in asset management culminating in leading BZW Investment Management and AXA Investment Managers. In due course, I became Chairman of Amersham plc, TNS plc, Smiths Group plc, London Metal Exchange Ltd, The Sage Group plc, and London Stock Exchange Group plc, in some instances after serving as a

director. I was also the Senior Independent Director of Scottish Power plc and Allied Domecq plc.

7. In 2008, I was approached by Zygos (Search Consultants) and asked if I wished to apply for the role of Chair of RMG. After discussion, I allowed my name to go forward. I was interviewed by Zygos, (now Sir) Stephen Lovegrove (SHEX), Adam Crozier (CEO RMG), Richard Handover (Non-executive director RMG), and Lord Mandelson (SoS, BERR) and Geoffrey Norris (BERR), in addition to many other meetings². These meetings focused on Royal Mail as a whole.
8. I joined the board of RMG on 27 January 2009 and chaired my first meeting approximately four weeks later. I left RMG over six years later on 31 August 2015. At the time I joined, RMG was a wholly owned subsidiary of RMH. RMH was owned by the UK Government and was the ultimate parent company for the Group. I was appointed Chair of the board of RMH from 27 January 2009 to 10 September 2013. I cannot now recall the precise distinction of responsibilities and roles between RMH and RMG. I have been provided by the Inquiry with some minutes for RMH board meetings and can see that it was this entity which carried out the substantive work. Should minutes of the RMG board meetings become available subsequently, I would welcome the opportunity to review these minutes and provide further comments if of assistance to the Inquiry.
9. As part of my role at Royal Mail, I became acting Chair of its 100%-owned subsidiary, POL. I continued in this role as Chair of the POL board from 1 May

² SHEX is the acronym for The Shareholder Executive; BERR is the acronym for the Department of Business, Energy and Regulatory Reform; and SoS stands for Secretary of State.

2009 until 22 September 2011. Initially, this board mainly performed statutory functions, otherwise functioning more like an internal committee of the Group. It had no independent directors, but as the separation of POL from RMG became more certain, I led it to act more like an independent board in preparation for the separation. Its membership evolved in order that it was ready to become a stand-alone board with an appropriate diversity of skills and background after separation.

10. During my time in these roles, the Royal Mail Group was enormously strategically challenged. Falling volumes of mail and the rise of digital communications, increasing competition (encouraged by the regulator), a massive pension fund deficit, restrictions on pricing freedoms, the demands of the Universal Service Obligation, a heavily unionised workforce, the outsourcing of much of the intellectual property of its core technology and the challenges of dealing with government provided a very full agenda for any board. In addition, POL was trying to maintain a physical estate in this digitising world. Government needed positive outcomes.

11. I have been asked to set out other jobs, roles or directorships I held whilst I was engaged with Royal Mail and POL. During my time with both businesses, I held various non-executive positions. I have provided further details of these positions below.

- a. I was Chairman of the London Metal Exchange between 11 September 2003 and 20 April 2010. I ceased this role shortly after my appointment as Chair of the Royal Mail and POL;

- b. I was a non-executive director of AXA Investment Managers SA and AXA Real Estate Investment Managers (both wholly owned subsidiaries of AXA SA) from 2009 until 2010 and 2012 respectively;
- c. I was Chairman of Smiths Group plc between 19 April 2004 and 19 November 2013;
- d. I was Chairman of the Sage Group plc between 6 July 2012 and 30 September 2021;
- e. I was director and subsequently, Chairman, of the Science Museum Foundation between 25 July 2012 and 1 January 2021. This was a not-for-profit activity;
- f. I was Chairman of Chance to Shine Foundation Ltd between 4 September 2014 and 4 September 2023. This was a charity providing opportunity to children through participation in cricket;
- g. I was Chairman of Lifesight Limited between 5 January 2015 and 30 June 2017. This was a pensions' MasterTrust sponsored by Towers Watson;
- h. I was appointed by the Secretary of State (BEIS³) in the UK Government as the Chairman of the Medical Research Council on 1 October 2012 and held this role until 31 March 2018; and
- i. I was Chairman of the London Stock Exchange between 19 June 2015 and 1 May 2019. I began this role as my tenure at RMG was coming to an end.

12. All of the companies I worked for were aware of the other roles I held. I did not work on set days, other than on formal occasions such as board or committee meetings, for each company as it was impractical to do so. Instead, my time commitment for each company varied depending upon the particular business needs of each company at any given time. I ensured I dedicated sufficient time

³ BEIS is the acronym for Department of Business, Energy and Industrial Strategy.

to all of the roles that I held, including my role at RMH, RMG and POL. Had I thought at any point that I needed to dedicate more time or attention to any role, or that it was desirable to have more support I would have made that plain and adjustments could and would have been made accordingly.

13. I recall that there was a period of time of around 3 months when I was Chair of Royal Mail following Adam Crozier's resignation as CEO in April 2010, and prior to Dame Moya Greene's appointment in July 2010, where I took a greater interest in the affairs of the company than usual in order to support the business during this intervening phase.

14. In all of the major roles I held, I was subject to performance reviews in which I was consistently positively rated⁴. These served as independent confirmation of my subjective assessment of the needs of each role and my ability to meet their combined demands. Throughout my long career I have held multiple non-executive roles at different companies. I believe that the knowledge and experience I have gained of different industries and businesses has been invaluable to the boards of all the companies with which I have worked.

15. In providing this statement I have reflected on the roles I held at the time I was involved with Royal Mail and POL. Even if I had had fewer roles or the demands of them been less I would not have conducted myself any differently, seen more information or had reason to ask more questions; I would have given the same amount of time to Royal Mail and POL and done the same at the time. As set

⁴ These are conducted annually for the year before by a senior independent director and in line with a formal structured process. The results are fed back to me and can provide learning and development points if appropriate.

out herein there were other obstacles in the way of the board(s) or me being made aware of the real problem and its implications.

16. Since leaving Royal Mail in 2015, I completed almost 10 years at The Sage Group plc and took the chair at three (now two) venture backed businesses, the most notable of which is Tide Holdings. I also joined the board of Hanover Investors. I completed almost 10 years as Chair of Chance to Shine. In 2018/19 I led the Independent Review into the Quality and Effectiveness of Audit for HMG.

17. I should note that around July 2012, I underwent a significant medical operation. At that time, I was Chair of Royal Mail, and for a period of approximately 8 – 10 weeks I had reduced involvement whilst I recovered successfully from this major procedure. Royal Mail was aware of this procedure and arrangements were put in place so that there was no adverse effect to the business.

SECTION 2: CORPORATE STRUCTURE

18. When I joined Royal Mail in January 2009, RMH was the parent company. The UK Government wholly owned RMH. RMG was in turn a wholly owned subsidiary of RMH. POL was a wholly owned subsidiary of RMG.

19. On 1 April 2012, POL was separated, and ownership of POL was transferred from RMG to RMH. The UK Government continued to own RMH. I remained on the board of RMH, I believe along with Alice Perkins (Chair of POL), in order to provide a forum in which to settle any potential disputes between RMG and POL (but I could be wrong). I resigned from RMH on the 10 September 2013. RMH

was then renamed Postal Services Holding Company Limited (on 11 September 2013). Following the separation of POL and RMG in April 2012, POL was a subsidiary of RMH, however, in practice its CEO reported straight to SHEX.

20. On 6 September 2013 I was appointed Chair of Royal Mail plc. On 12 September 2013, RMH transferred its shares in RMG to Royal Mail plc. Royal Mail plc's shares were listed on the LSE on 11 October 2013.

SECTION 3: ROLE AND RESPONSIBILITIES

Role as Chairman

21. As non-executive director ('NED') and Chair of the boards for RMH and RMG my role involved the following: constructing the board to ensure it had the appropriate range and diversity of skills, ensuring that the board was effective, establishing the agenda for meetings, taking input from executive and non-executive directors, keeping directors informed between meetings (through phone calls, emails and meetings), ensuring the board's performance was measured, ensuring that non-executive directors had the opportunity to meet without my presence to discuss my performance, providing guidance, support and challenge to the executive directors, leading discussions to endorse strategic direction, ensuring the appropriate oversight was in place either at the board or through its committees, considering succession planning, leading the board to establish the company's risk appetite and that only those risks the company wanted to take were being taken whilst mitigating unwanted risks, setting goals, monitoring and challenging performance, representing the board to the shareholder, and representing the company when appropriate to other

stakeholders. This list is not exhaustive. In carrying out this role I visited sorting offices, mail centres, post offices, other departments and subsidiaries, for examples, GLS in Germany. Exceptionally, I also initiated a review by a senior retired Judge of the issues arising from postmen and women being attacked by dogs and led the efforts to establish a Postal Museum & Archive.

22. I also led the recruitment process for the new CEO of Royal Mail in 2010. I successfully recommended Moya Greene (now Dame) for appointment to the new Government in May 2010 in which role she effectively fulfilled a challenging brief.

23. As previously mentioned within paragraph 9, when I joined Royal Mail, in my opinion, the POL board was not well developed. Its construct recognised that its MD reported to the Royal Mail CEO. As noted above, the board initially was therefore more like an internal committee. I became NED and acting Chairman (I believe the position was never formalised by BEIS) of POL approximately 3 months after taking up the Royal Mail role. Whilst there were discussions of operational matters at the start, these were more by way of information sharing than formal reporting. I saw my role as to formalise the board and, in anticipation of the separation that was to come, to start to build the processes that would ensure that a functioning board could be passed on to my successor. I arranged the appointment of the first independent NED (others were non-executive in POL but were not independent by virtue of holding executive positions in RM). POL outsourced its audit and risk oversight to the RMH Audit & Risk Committee ("**ARC**"). The role therefore did not have the same formality as the Royal Mail role, although as the board evolved, the strategic and oversight roles grew.

24. I did not hold an executive position at RMH, RMG or POL.

25. Royal Mail endeavoured to follow the practices of public companies and acted in the spirit of the Combined Code issued by the FRC. I chaired the board of RMH as I did the boards of public companies; the major difference was having only one shareholder. With regard to the shareholder, HMG, I saw my role as ensuring the board was aware of the shareholder's views on major issues and that reciprocally the shareholder understood the views of the board. In the case of Royal Mail there were major issues of potential changes in ownership and funding which necessitated a clear understanding in both directions. However, there were multiple routes of communication between executives of Royal Mail and POL and other senior members of SHEX.

Role of the Board & Responsibilities

26. The role of the Royal Mail board was to set the tone and culture, test and challenge strategic decisions, monitor performance and satisfy itself, through the ARC⁵, that an effective framework of systems and controls was in place defining authority and accountability and promoting success whilst permitting the management of risk to appropriate levels. During my tenure on the POL board, I endeavoured to develop the same roles for the POL board as for the Royal Mail board. It was the role of the executive management to provide information to both boards which allowed them to exercise properly their roles.

⁵ Post separation POL no longer relied on RMH ARC.

27. Within the Request I am asked where responsibility lay for “(a) monitoring the Horizon IT system and (b) criminal prosecutions and civil proceedings arising from alleged shortfalls in branch accounts based on Horizon data”. Responsibility for (a) lay with the executive management of POL, being a system uniquely operating within POL. This distinction became even more defined after separation. In the event members of the executive management found any significant issues with the system it was their responsibility to report these through the CEO or CFO to the ARC and the POL board. If any executives felt as though reporting lines had been comprised and that important information was not making its way appropriately 'up the chain' to senior management or the board, then there were whistleblowing processes in place to circumvent original reporting routes to communicate directly any issues. Responsibility for (b) lay with the legal function within the executive management of RMG prior to POL separation, and within POL thereafter. Again, if executive management had found any significant issues, it would have been expected that the executive would bring such issues to the board. To this end, I do recall that the issues in respect of (a) and (b) above were discussed at various POL board meetings and that reassurances as to the integrity and safety of the prosecutions and Horizon system were provided on multiple occasions, please see paragraphs 38, 39, 59, 60, 71, & 86 – 89.

28. The Inquiry has asked questions about the RMG board's role in oversight of a number of matters (criminal prosecutions brought in the name of the company, civil litigation brought by or against the company, the company's IT, and compliance with the Race Relations Act 1978/Equality Act 2010). Subject to materiality and apart from IT, I would have expected the Royal Mail board to be informed of any significant failings in these areas by the Company Secretary

(Jonathan Evans or John Millidge) and/or CEO (Adam Crozier or Dame Moya Greene) through regular reporting lines, if they were aware of the failings.

29. For IT, reporting to the Royal Mail board came through the CEO or the Group CTO.

30. The Inquiry also asks about RMG's board "oversight of any accounting system used to collate individual transactions cash and stock declarations etc. used for the purpose of preparing management and statutory accounts". Oversight of these systems was performed by the ARC. Here the ARC received reports from both Internal Audits and the statutory auditor, Ernst & Young ("EY"), it was then the ARC's duty to consider these reports and monitor the implementation of any responses necessary, (please see section 5). The ARC reviewed those reports on behalf of the board and reported findings to the board. As Chairman, I chose to attend the ARC meetings when I could; however, appropriately, I was not a member of the ARC.

31. Responsibility for criminal prosecutions and civil proceedings arising from alleged shortfalls in branch accounts based on Horizon data lay with the executive management. Everyday functioning of all prosecutions and legal proceedings lay with the legal function (part of the executive function), in the Group prior to POL separation, and within POL's legal function thereafter. These functions reported to the relevant Company Secretary who then reported to the board. High level reports of legal activity which I believe primarily focused on statistics were made to the ARC and, after separation, to the POL board. I note that the minutes for the ARC meetings dated 20 May 2011 (**RMG00000005**) and 17 November 2011 (**RMG00000007**) both refer to

papers titled 'Fines, Compensation & Material Litigation' which appear to be updates in respect of accruals for fines, compensation and provisions. The Inquiry has not provided me with copies of these papers⁶. Please also see paragraph 39 in which I discuss minutes for the ARC meeting on 8 December 2011 whereby an update was given that mentioned challenges to Horizon **(RMG00000003)**.

32. In addition to this, during my tenure at POL, I recall having a conversation with Jon Millidge, the Group's Company Secretary, who highlighted that the lawyers within the legal function had a 'code' to follow which set out the principles that they must adhere to when dealing with and making decisions upon a case. I now understand this to be the Code for Crown Prosecutors. At the time I took it to mean that there was another layer of checks in place on the legal function and as such we should be cautious with our input.

Reporting Lines

33. When I joined RMG, the MD of POL, Alan Cook, sat on the RMG board along with some other POL executives. The MD of POL's executive reporting line was to the CEO of RMG. In addition, the MD of POL reported to the POL board which provided an additional layer of monitoring and carried out statutory functions.

34. The government had two teams in SHEX which interacted with the executive of RMG, one for the Royal Mail business and one for POL. The MD (later CEO)

⁶ I would be happy to comment upon these papers if the Inquiry wishes for me to review them.

of POL, and the CEO of Royal Mail both interacted directly with SHEX officials and Ministers. There were multiple interactions between SHEX and Royal Mail (including POL) ranging from routine requests for information, to participation in discussions of strategy and tactics. These interactions were not always intermediated, even by the CEO or the Chair. Given that Royal Mail was seen as a regulated business enterprise, whilst POL was seen more as a public service enterprise with its future remaining in government ownership, there was a heightened interaction between POL and SHEX/Ministers on day-to-day matters including, for example, numbers of branches, location, and services.

35. As Chair of Royal Mail and POL whilst both businesses were government owned, I too had interaction with SHEX. My interaction was generally confined to board, strategic, personnel and individual or specific matters. I should note that in the letter dated 30 September 2010 that I received from Rt Hon Vince Cable MP who at the time was SoS for BEIS (**UKGI00001328**), he makes reference to continuing arrangements to meet regularly. I have not had access to my diary from this period of time, however, I do not recall having regular communications with the SoS. Any communications were most likely on an ad hoc or sporadic basis.

36. As Chair of both RMG and POL, I respected the reporting line between the relevant CEOs/ MD and their direct reports and between the CEOs and their board. Thus, when meeting members of his/her team of executives I would be in the habit of (almost always) ensuring that the CEO was aware of the interaction⁷. In my view, to do otherwise would confuse executives as to their

⁷ On the rare occasion I did not inform the CEO of a meeting I had with his/her team of executives, this would be as a result of being asked appropriately by the executive not to do so or that I simply had forgotten.

reporting line. In all companies, it is important to maintain a clear distinction between executive and non-executive functions.

37. I met frequently with the Group Company Secretary, Jon Millidge, in his role as secretary to the board. Whilst I may have met them, I do not recall one-to-one meetings with the Head of Legal in either RMG or POL. At the time, I was not aware of the Royal Mail or POL “problem management team” referenced by the Inquiry which seems to have been a basic IT trouble shooting function. Whilst aware of its existence, I did not interact with “the security/ or investigation department” on any individual matter; any issues would have been reported to the Company Secretary, who would in turn have reported any significant issues to me and the board. Although there were many issues at any one time, I would have expected the Company Secretary to use his professional judgement and to report any critical issues that were raised with him to me and the board.

38. I was not involved in the “oversight of the investigation and prosecution of SPMs for theft, fraud and false accounting for alleged shortfalls in branch accounts.” I was aware that RMG/POL had the power to prosecute, and that such prosecutions had been routine prior to my appointment and that they continued. I do recall that questions in respect of prosecutions were raised at some POL board meetings on seeing reports of legal activities. I believe at first questions were raised in relation to the number of prosecutions. As stated above, the board was told that there had always been prosecutions and the number remained at a roughly consistent level. It was also explained that, sadly, there had always been a few dishonest SPMs. We received assurances that the Horizon IT system was robust. The available board minutes I have been provided with for POL board meetings are not verbatim notes and are

summaries of what was discussed. I distinctly remember the board being informed that all prosecutions brought by POL had been successful, in accordance with the email I received from Paula Vennells dated 29 September 2011 (**POL00405910**) (please see paragraphs 58 & 59). The board had no reason to doubt the veracity of the answers.

39. I was aware of "the recovery of alleged shortfalls in branch accounts, including through the use of civil proceedings" against SPMs through reports made by executives to the ARC. On 8 December 2011 in minutes for the ARC meeting (**RMG00000003**), it is recorded that the committee was updated that POL had dismissed, prosecuted and commenced civil debt recovery action against a number of SPMs and Crown staff, following financial losses in branches. The ARC was told that a small number of staff had defended the criminal and civil proceedings on the basis that Horizon was faulty. At the time, although the ARC had been made generally aware of potential issues with access controls via the EY management letter, year ended 27 March 2011 (**POL00030217**), it was not aware that this letter had any connection to challenges being made by SPMs⁸. However, my recollection is that the ARC received assurances that the integrity of the data was not compromised. It was also never informed that SPMs had in fact raised any concerns of unauthorised manipulation of figures as part of their defence. Finally, it did not know, as it now transpires, that SPMs had been told remote access was not possible in the course of their legal proceedings. Had I or the ARC been informed of this, further questions would have been raised⁹. Please see section 5 for further detail.

⁸ Please see paragraphs 72 & 90.

⁹ I have set out in more detail below in section 5, the fact that Dame Moya Greene and I met with EY who provided further reassurances in relation to the integrity of the Horizon data.

40. I am asked about (a) policies, guidelines and practices followed by POL, RMH and RMG when pursuing a civil action against an SPM, (b) the conduct of audits of SPMs' branch accounts, (c) practices and policies in respect of suspending or terminating SPMs' contracts, and (d) policies, guidelines and practices in investigating alleged offences and bringing criminal prosecutions, including the process of disclosing documents. These are all executive matters in which neither I nor the board were involved. I am also asked about the extent to which I passed on information about concerns as to the reliability of data produced by the Horizon IT system. In this respect I possessed no information to pass on. If there was anything that I felt I needed more information about I would have asked for it. I am further asked about the extent to which I oversaw the management of the distribution of information relating to the reliability of the Horizon IT system within POL/Royal Mail. I was not involved with the distribution or management of the information referenced.

41. The Inquiry asks about my board leadership style. I believe my leadership style to have been open and collegiate. I asked for transparency and sought through informal contact to establish a sense of teamwork. For RMH, I introduced reviews of the board's performance first by Professor Goffee of LBS and later by Ffion Hague of Board Excellence. I encouraged the reviewers to witness a board meeting and committees as well to conduct unsupervised interviews with board members. The Senior Independent Director was responsible for liaising with the Reviewer to collate information about my performance and to communicate the Review's conclusions to me. The involvement of an external Reviewer was bi-annual. In the alternate years the board completed a performance questionnaire in a process managed by the Company Secretary.

From memory, I believe the open and collegiate style that I encouraged was recognised in generous comments about my performance.

42. I arranged dinners for the directors to enable informal discussion of issues. I also based myself in Royal Mail's Head Office in London and, as a result, whilst being careful not to stray into executive territory, had many informal interactions with executives. I also had regular meetings with the Royal Mail's CEO, CFO, and Company Secretary. I also held regular meetings with the CEO/ MD of POL.

43. Additionally, I consider that my other roles outside Royal Mail or POL assisted me in my performance of my role. I witnessed similar problems to those in Royal Mail handled in different contexts and was able to use my knowledge and experience to assist the board when dealing with such issues.

44. I worked with the relevant Group Company Secretary to determine the agendas of RMG & POL board meetings. There were a number of standing items - eg Health & Safety Report, CEO Report, Finance Director's Report - and then specific papers to be on the agenda requested by executives (through the CEO or at the CEO's request) or by other directors (including non-executives). For example, it had been brought to my attention that RMG had particularly high levels of accidents and that health and safety needed to improve. As a result, I can recall asking that health and safety was placed at the top of the agenda with the CEO reporting. Reports were segregated into those requiring decisions and those for information and noting. The CEO was accountable for all reports from executives no matter who had originated the content; this was important to maintain the integrity of reporting lines. The board also received reports from its sub-committees.

45. I am asked about the level of technical IT expertise of those attending board meetings. I do not consider that any of the non-executive directors had deep technical IT expertise but as some had run major enterprises, with embedded IT, they were not ignorant of IT issues either. In that structure, any significant IT issues would have been addressed by the CEO or the CTO, who would report to the board in relation to the IT function of the business.

46. Equally, amongst the executives who attended board meetings, there were varying levels of IT expertise dependent upon their role. However, the board relied upon the IT specialists within the executive function to keep them apprised of any significant IT functions/issues.

47. In considering this question, I have reflected on board composition. For all boards of major enterprises, a range of expertise is required. A non-exhaustive list includes regulatory, distribution, financial, experience of very large enterprises, accounting, industrial relations, technology, government functioning, pensions, safety, ability to chair an audit committee, remuneration, business to business issues, business to consumer issues, strategy, and mergers and acquisitions. In addition, the composition of the board needs to take into consideration diversity in many forms. We tried to achieve such diversity of skills, experience and knowledge for the RMH, RMG and POL boards, however, it is not possible within a manageable board to have in depth knowledge of every area.

48. It is for that reason that, from time to time, boards commission specialist reviews and reports on particular topics. For example, in my email to Paula Vennells

dated 29 September 2011 after having read the Private Eye article (**POL00405910**), I suggested the commission of a specialist report to assist the POL board.

49. The Inquiry asks about how executives reported to the board if they did not attend a board meeting. In my experience boards vary. In a unitary board structure, some have only the CEO representing the executive and the business, others, more commonly have the Finance Director (or CFO) also. Some others include other executives, for example the COO or the HR Director.

50. As a generalisation, an executive with either relevant expertise or specific responsibility would attend and present a paper, especially if written by them or their team. However, for practical reasons, many papers would be presented by the CEO or taken as read without an accompanying presentation.

51. Thus, executives reported to the board in RMG or POL either through the CEO or directly in person. In terms of information sharing, the reporting was, therefore, either through written communication, presentation of an oral report or through the CEO. Accordingly, it was not always necessary for executives to attend board meetings in order to report or share information.¹⁰

52. The Inquiry asks whether I felt I was able to devote sufficient time to my roles at POL / Royal Mail. I dedicated considerable time to Royal Mail Group matters in order to fulfil my duties as Chair. The benefits of modern technology allowed

¹⁰ The minutes only record the apologies of persons who have a duty to attend the meetings and if an absent member wished to have an input that would generally be done by calling me before a board meeting. Feedback to an absentee reporter to the board would be done by the CEO in appropriate cases about what had occurred in the meeting.

for considerable multi-tasking. I worked each day for as many hours as necessary, frequently significantly exceeding 12 hours in a day. Given the requirements of my role at RMG, I had my physical base in Royal Mail's London office. As mentioned at paragraph 14, I received highly complimentary feedback within my performance assessments.

53. I am asked about my understanding of a) the prosecution of SPMs for theft and false accounting and b) the pursuit of civil litigation against SPMs to recover alleged shortfalls in branch accounts at the time I joined the Group. Upon joining the Group, I had no knowledge or understanding of these matters. Indeed, on appointment I did not know such litigation was in flight.

54. I do not recall problems with the Horizon IT system's integrity being explicitly discussed at the Royal Mail board meetings.

55. As mentioned at paragraph 38 above, in response to any questions on the pertinent issues, the POL board received assurances that the Horizon IT system was robust. As to prosecutions, the board was told that there have always been prosecutions as, it was alleged, there had always been a few 'bad apples' amongst the SPMs. When asking about the numbers of prosecutions, the board was told that all prosecutions had been successful, and some had received custodial sentences. At the time, in general, this was viewed as an affirmation of the validity of the prosecutions¹¹. Hindsight in the light of what is now known shows that the fact that there had been successful prosecutions may have had the effect of concealing that there was something wrong with the Horizon IT

¹¹ We were also told that some people convicted had been given prison sentences. While this played no part in affirming the validity of the prosecutions, we were aware that the consequences could be serious for those convicted.

system, since we assumed that the rigours of a prosecution process would uncover any difficulties with the evidence upon which a prosecution was based.

56. The POL board was not told that these prosecutions resulted from pressure on SPMs to admit to false accounting in the manner now revealed. Furthermore, we now know that some of the so-called false accounting was in relation to SPMs putting funds into POL, not as might reasonably have been assumed, taking funds out. I have now also seen that in some cases, it appears that SPMs felt pressured to plead guilty to the offence of false accounting so that more serious offences were not pursued. I doubt very much that any board member would ever have asked if convictions were being made on such basis.

57. The POL board was told that there were no relevant problems with the Horizon system, there was no reporting of bugs, errors or defects ("**BEDs**") or issues of integrity. The reporting in Computer Weekly was not brought to the attention of the POL board.

58. In September 2011, I read an article published by Private Eye which detailed a class action by SPMs and raised questions about the Horizon system. As I recall, this article was not specifically brought to my attention by anyone at POL; habitually I purchased Private Eye for myself. I was surprised to learn of the class action and the questions the article had raised in relation to the integrity of Horizon. At the time I was no longer Chair of the POL board having stepped down on 22 September 2011. Regardless, I sent an email to Paula Vennells on the 29 September 2011 (**POL00405910**), copying Dame Moya Greene (CEO of Royal Mail), Paul Murray (Chair of the ARC) and Alice Perkins (Chair of POL),

stating that I was surprised by the article and its contents and raised that it may be appropriate to have a relevant report on the issue carried out and submitted within the POL board papers for the future. Having recently stepped down from the POL board, I did not wish to overstep and made it clear that it was the current Chair, Alice Perkin's, call. I also indicated that the issue should be relevant to the ARC and asked whether an independent audit of Horizon had ever taken place.

59. In response Paula Vennells provided assurances, keeping Dame Moya Greene, Alice Perkins and Paul Murray in copy, that *'each time any cases have gone to court, POL's position has been upheld. And from memory, in at least 2 cases fraud was proven with subsequent imprisonment.'* Ms Vennells also stated that to avoid doubt, POL were having the old and new Horizon systems independently verified by an external systems auditor and expected results at the end of October 2011. At the time, I was reassured by Ms Vennell's response, particularly her confirmation that an independent audit was in progress. As a result of Paula's email and her position as CEO of POL, I believed that the POL board would deal with the matter appropriately going forward. Given all that I now know, upon reflection, Ms Vennells' statement that *'in at least 2 cases fraud was proven with subsequent imprisonment'* indicates that weight was given to the outcome of prosecutions without considering that they might have been the result of or obtained in spite of unreliable evidence. With the benefit of hindsight this may be seen as involving confirmation bias.

60. After I left the POL board, I was also copied into an email response sent by Paula Vennells dated 26 November 2011 (**POL00378686**) to Shane O'Riordain, Director of Communications, in relation to a BBC programme covering the

alleged problems with the Horizon system and some SPMs dismissals and convictions¹². Although I do not recall seeing this email, I can see that Ms Vennells states *'There is continuous legal and audit work in respect of this and it can be subject to FOI. We are confident in Horizon and we are supported by the NFSP.'* Her statement indicated that appropriate reviews were being carried out and that they were confident in the Horizon system. This was consistent with the assurances that the POL board and the ARC were given during my appointment as Chair.

61. I am asked whether I thought that the POL and Royal Mail's corporate structures were adequate to fulfil their responsibilities or manage risks. At the time, I believed the corporate structures of POL, RMH and RMG were fit for purpose. However, all corporate structures depend on the people operating within them. The appropriate lines of defence against unwanted risks were in place: Internal Audit, the ARC, whistleblowing facility, Have your Say (an internal communication channel) and defined executive responsibilities, plus appropriately independent, external audit and independent directors.

62. In my view, the non-executive oversight was carried out properly; however, such oversight is dependent on the veracity of the information supplied. During my time at RMG and POL there was nothing that led me to believe I could not trust the information I was provided with, or the people who provided it.

63. As Royal Mail progressed towards privatisation, it was clear that POL needed to develop its own independent governance and would soon no longer be able to rely on Royal Mail for Audit, Legal and other services. Accordingly, I stood

¹²At the time, I did not see this BBC programme and have not seen it since.

down from the board of POL in September 2011, being succeeded by an independent chair (Alice Perkins). Thereafter she attended various meetings of the RMG board as Chair, until privatisation in September 2013. During that period, I relied upon the processes that would require anything material to be brought to the Royal Mail board for its consideration¹³.

64. As POL was split from RMG in April 2012, the executives of both RMG and POL negotiated the separation of functions, and the board of POL had been adapted in 2011 to enable it to conduct its own oversight. Royal Mail ceased to provide outsourced legal support to POL.

65. I am asked about HMG oversight. It is not possible for a shareholder, no matter how powerful or substantial, to know everything that is happening in a business it owns unless it runs the entire governance and management processes. SHEX knew a great deal about the operations of the Group (including POL) but could never be aware of every issue. There were almost daily interactions between SHEX and some part of the Royal Mail Group. SHEX needed to prioritise and, as the issues for the group were existential, it is unsurprising to me that SHEX was not fully aware of the litigation against SPMs at a time when the board itself was also unaware of the detail.

66. I am asked if I consider government oversight of POL, RMG and RMH to have been adequate. I did then and do now. Again, oversight is dependent on information flows. As a parallel, government could not be aware of the detail of prosecutions for theft of mail other than at an aggregate or macro level. Greater

¹³ As set out above that was the proper functioning of the POL board and Chair.

involvement by government in oversight would have risked crossing the line into interference and a blurring of responsibilities.

67. For the future, where government is a sole owner of a business, I believe it would be helpful that an office of government/shareholder liaison, under the leadership of the CEO is established in each business to act as a channel for all communication between the shareholder and the business, that considerable efforts are made to respect this as a unique information channel¹⁴ and that communication with the CEO (other than regarding personal matters) involve that office. I believe this would improve efficiency of information flows and allow for the calibration of information in a consistent manner. It would also avoid any possibility of undermining the formal reporting lines in the business. In my experience, confidence in communicating to SHEX officials was lessened as the result of the same questions being asked simultaneously of several executives. Transparency in the communication process should help this problem.

68. There was a tendency when reporting upwards to give reassurance that any issue was or could be resolved without difficulty. It could be described as a 'don't worry it's fine' culture. It is a culture that is much more identifiable with hindsight and it may explain why some critical matters were not raised to senior management or beyond that to the board.

SECTION 4: KNOWLEDGE OF THE INTEGRITY OF HORIZON

¹⁴ Such a channel might be supplemented by access to the Head of Internal Audit.

69. As indicated, I had no knowledge of the Horizon IT system when I joined the boards of RMH/RMG. After I joined the POL board, I became aware there was a system used by Post Offices for accounting purposes and that its adoption had been in response to the need to provide digitised services to HMG.

70. I am asked the following questions: (a) whether I was aware of either BEDs in the Horizon system, lack of integrity in the same or complaints addressing BEDs or concerns with integrity; (b) my knowledge of the ability of Fujitsu employees to alter transaction data or data in branch accounts without the knowledge or consent of SPMs; (c) any training provided to me in respect of the Horizon IT system; (d) what steps I took, if any, to increase my knowledge of the Horizon IT system.

71. I had no knowledge of (a). I did not understand at the time that Fujitsu employees could alter data without knowledge or consent of SPMs. I discuss my knowledge of (b) within paragraph 39. In addition, when access issues were identified in the EY management letter, year ended 27 March 2011 (**POL00030217**), I did not have the contextual information to appreciate the implications of *"unauthorised/ inappropriate access which could lead to the processing of unauthorised or erroneous transactions"* upon the prosecution of SPMs. At that time, in particular, I did not consider that EY's letter informed us that Fujitsu employees had the power to alter data without the knowledge or consent of SPMs. As far as I was aware, the issue was whether or not the access issues identified by EY at this stage would affect the integrity of the accounting data. On this point, I did however have a meeting with EY together with Dame Moya Greene; my recollection of this is that we were assured that the integrity of the data was unaffected. As previously mentioned, we were not

told that some SPMs had raised as part of their defence that data had potentially been amended without their knowledge.

72. Regarding (c) I received no training in respect of the Horizon IT system, nor of any other of the myriad of systems used by the Group. It would not have been relevant to my role – I was not an executive.

73. With respect to (d), I asked several questions about the robustness of the system at board meetings and asked about a review of the system and proposed a referral to the ARC (e-mail post Private Eye article of 29 September 2011 - **POL00405910**). Further, I had several meetings with Mr Thomson from the National Federation of Sub-Postmasters in order to keep up to date with any current issues. He did not raise any issues in respect of challenges made to the integrity of Horizon and I had no reason to ask him. Having now seen his evidence, I understand why he did not raise this as an issue as he believed there was no issue with the system.

74. With reference to the file note of a meeting between Paula Vennells and Susan Crichton dated 30 September 2013 (**POL00381629**), I do not recollect a discussion with Alice Perkins that referenced an actual or potential “cover-up”. However, it would have been consistent with my normal behaviour and track record for me to have stressed to her the importance of full transparency. My experience of working with Ms Perkins was that she also believed in full transparency. I am certain that had a discussion about a cover-up taken place I would have remembered it.

75. I believe the Ismay Report dated 2 August 2010 (**POL00294837**) was an executive-led report which briefed the executive management on the issues. The Report (to the best of my knowledge) was not presented to the POL board, I am not on the distribution list and I do not believe I had sight of it. I expect that executives would have relied on it as providing the basis for their answers to the board. I do not know if it was referenced.

SECTION 5: AUDITS AND REVIEWS OF THE HORIZON IT SYSTEM

76. I attended the ARC on 13 May 2010 (**RMG00000004**). I understood the reference to the "Horizon payment system" in the forward plans of Internal Audit (along with other POL matters) to be normal forward planning with regard to the major activities in POL. The Horizon system was so integral to POL, it meant that any significant issue with it of any kind, such as if there was an operational problem and the system was to 'go down' for a few hours, could be very serious for POL's operations. Consequently, Horizon was always an agenda item for Internal Audit at any ARC meeting as our reliance upon it posed a substantial risk to the business.

77. I have read the EY management letter, year ended 27 March 2011 (**POL00030217**), the minutes of the Royal Mail ARC, dated 20 May 2011 (**RMG00000005**), the minutes of the POL board meetings dated 27 May 2011 and 4 July 2011 (**POL00021499** and **POL00021500** respectively), the POL IT update paper POLB(11)32 dated September 2011 (**POL00029438**), the minutes of the POL board meeting dated 22 September 2011 (**POL00030365**), the minutes of the Royal Mail ARC dated 8 December 2011

(**RMG00000003**) and the minutes of the Royal Mail ARC dated 14 December 2011 (**RMG00000127**) in relation to the EY audit for 2010/11.

78. During the relevant period, I read the EY management letter, year ended 27 March 2011 (**POL00030217**), I did not however have sight of the briefing note dated 28 April 2011 on audit findings which appears to have been produced for Paula Vennells at her request (**FUJ00086922**). The EY management letter was a substantial document, and it was discussed during the meetings of the POL board and the ARC as set out below.

79. I have been provided with minutes of the ARC meeting on 20 May 2011 (**RMG00000005**). Whilst I did not attend this meeting, I can see from the minutes that Alison Duncan from EY presented at this meeting along with Mike Young and Lesley Sewell. It was explained that the audit process *"had identified significant control weaknesses, which in Ernst & Yong's view, reflected a need for improvement by the outsource provided Fujitsu but also a change in approach on the part of POL in relation to the management of the Fujitsu contract. The approach by Fujitsu in delivering audit requirements to POL and E&Y had resulted in an unduly lengthy, unpredictable and inefficient audit in respect of this aspect of the IT audit... POL had established an IT Audit & Control Board to manage contract governance going forward."*

80. I attended the POL board meeting on the 27 May 2011 (**POL00021499**). The minutes state that *"the board noted that the auditors had raised concerns about the IT change management processes, access controls, the Fujitsu managed services and POL's oversight and assurance of key activities. Lesley Sewell had been invited to advise the Board on the steps taken to improve the*

controls". Whilst concerns surrounding access controls were noted in the minutes, I agree with the following further statement that "the main issue of concern centred around the inability to use a SAS70 standard for evidencing that the controls are in place."

81. I understood that SAS70 was used to evidence on the effectiveness of internal controls and that because Fujitsu did not use this standard, it was difficult for EY to evidence the controls in place in an efficient manner for their audit. It is further noted in the minutes that *"activity had already commenced to remedy the issues identified by Ernst & Young, including establishing a POL IT Board. The Board agreed that the end result should be that either SAS70 applies or a set of controls is established that Ernst & Young are happy with"*.

82. At the POL board meeting on 4 July 2011 (**POL00021500**) Paula Vennells provided an update. She confirmed that the *"new POL IT Audit & Control Board would pick up all the issues and actions from the SAS70 audit and that Ernst & Young were not sitting on the Board... Les Owen emphasised that the advantage of asking Fujitsu to comply with SAS70 audits meant that we could rely on those reports. The Board discussed the best way to engage with Fujitsu. Paula Vennells explained that she was meeting them and would raise the issue"*. A detailed technology paper covering these issues was also to be presented by Mike Young (COO) at the next POL Board meeting. I note that I had no knowledge of the detailed working of the IT Audit & Control Board - it was an executive committee and was not established by the board nor reported directly to it.

83. I have been provided with a copy of the POL Board IT Audit Update dated September 2011 signed by Mike Young (**POL00029438**). I believe I would have had sight of this document at the time it was circulated. The IT Audit Update states that EY made recommendations related to *"change management processes; access controls; the Fujitsu managed service and POL's oversight of key control processes within Fujitsu"*. It was confirmed again that an Audit Steering Group had been established to ensure audit actions were completed and at the time this group had met three times. It was also noted that a project team had been established to manage all activities and that they were currently on target for completion by *"the end of October"*. In respect of user management and access rights to POL's systems, it was noted that *"a complete review of this area is underway and is on target for completion"*. Finally, the note summarises that position as follows:

"we will have enhanced controls, governance and a reporting mechanism in place with Fujitsu, covering the recommendations made by Ernst & Young, by the end of October, with an intention to move to SAS70 by the end of 2012 for use as part of the 12/13 audit."

84. This update is noted in the POL board minutes from 22 September 2011 (**POL00030365**). It follows that the POL board were reassured that management were making good progress in relation to the EY recommendations, including their recommendations in respect of access controls.

85. It is further recorded in the minutes that Les Owen clarified that the original question from the ARC was questioning why Fujitsu did not provide a SAS70

audit. Within this meeting I suggested that we align ourselves with other Fujitsu customers to ensure Fujitsu realised SAS70 was a customer requirement. Alice Perkins also attended this meeting, which was the last POL board meeting I attended as I stepped down from my role as Chair of POL.

86. On 8 December 2011 (**RMG00000003**) I attended an ARC meeting where Richard Wilson, Kath Barrow and Ben Marle from EY were also present. The minutes record the following discussion:

*"unlike other RMG major IT suppliers, Fujitsu does not have a SAS70 or equivalent report on its controls, and the consequence of this is that Ernst & Young needs to do full testing of all systems which are integral to the financial results as part of the RMG annual audit process. A number of IT control issues were identified during the 2010 – 11 year end audit, which were largely centred on Fujitsu. **Overall EY was satisfied that the control systems were reliable but they had to perform additional audit work to make this conclusion**, and they made certain recommendations in the management letter following the audit for improvements which have been implemented. **The IT control issues identified during the audit did not relate to the integrity of accounting data in the system.** Rather, EY made recommendations about the documentation and authorisation of changes to systems and about opportunities for streamlined assurance¹⁵".*

87. The ARC was thus reassured that any control issues identified during the audit, including access issues, did not affect the integrity of accounting data in the system. As mentioned in paragraph 39, we were not told that these control

¹⁵ Sentences here have been emphasised in bold.

issues could impact the integrity of the data and as a result, the civil or criminal legal proceedings being brought against SPMs.

88. At the time of the EY management letter, I had understood that EY were predominately concerned about the governance of the Fujitsu relationship. This centred around the difficulty of obtaining audit evidence from Fujitsu. Therefore, EY recommended a SAS70 audit to ensure the base information they required was more readily available to them. As I understood it, their report said that they had trouble evidencing the controls rather than that the controls themselves were deficient. We were told overall EY was satisfied that the control systems in place were reliable and that planning was underway for the 2012-13 audits and Fujitsu had committed to covering the cost to implement a SAS70 approach for POL.

89. As mentioned at paragraphs 39, 71 and 72, I believe that I had a meeting with the audit partner at EY on conclusion of the audit to hear the principal conclusions and recommendations prior to his formal reporting to the ARC. This was my normal practice. I believe that Dame Moya Greene was also at this meeting. At such a meeting I was in the habit of asking if there is anything else I should know beyond the written report. I do not recall any other issues being raised beyond those referenced in the audit report other than that the audit had been cumbersome in process. It was not drawn out in this meeting by EY that unauthorised changes to the Horizon data could be made without SPMs' knowledge or consent. Nor did I know at the time that SPMs were raising such issues as part of their defence. Had I been made aware; I would certainly have raised further enquiries.

90. My attention has been drawn to the Draft Report 11/005 Horizon System Controls Assurance Review by POL dated February 2012 (**POL00029114**) and the POL Review of Key System Controls in Horizon Assurance Review dated March 2012 (**POL00030482**). I am not aware of having seen these reports before and I am not included on the circulation list. By the time they were written I was no longer Chair of POL. I am unclear of the background other than that they appear to be a response to the EY management letter. I do not know how they were used.

SECTION 6: SEPARATION OF POL AND RMG/RMH

91. I have been provided with a copy of a letter dated 30 September 2010 I received from Rt Hon (now Sir) Vince Cable MP who at the time was SoS for BEIS (**UKGI00001328**). I recall receiving this letter and note the following section:

"we see Royal Mail and Post Office Limited as distinct businesses and believe that they are best separated. Officials have communicated to you our objectives for the Board in this regard. It is therefore important that no action is taken prior to a Royal Mail transaction which could make the implementation of that separation more complex or difficult. There should be no move to further integrate the Post Office and Royal Mail."

92. I recall this being a clear indication at the time that the SoS expected that I prioritise separation of the businesses.

93. The detailed work on the separation of POL and RMG/RMH was almost totally performed by executive management. There were negotiations between two

teams (one from Royal Mail and one from POL). A mechanism was established whereby, if they were unable to agree, they were to escalate the disagreement to Alice Perkins and me. My memory is that this formal mechanism did not need to be used as the negotiations concluded in agreement. The CEO of Royal Mail, Dame Moya Greene, shared with me issues of principle, for example, the degree of exclusivity regarding distribution that she hoped to obtain. Organisational structure was a matter for the executives.

94. I discussed with Mr Lovegrove (now Sir Stephen) at SHEX the composition of the board of POL.

95. I am asked what discussions or negotiations took place on where responsibility would sit after separation for (a) the Horizon IT system, (b) the investigation and prosecution of SPMs and (c) the pursuit of civil claims against SPMs. I believe that none of these issues was referred to me or the Royal Mail board. As the responsibility for these matters lay with POL post separation, the matter of prosecutions naturally fell on POL and I am now aware that POL did indeed continue prosecuting.

96. I am also asked about any past liabilities relating to (a), (b) or (c). I believe it was common ground that any such past liabilities, should they have existed, belonged to POL. Again, I believe that neither I nor the board were asked to intervene in any discussions or negotiations on this topic.

97. As referred to above, the background to my email to Paula Vennells and others dated 29 September 2011 (**POL00405910**) was my reading an article in Private Eye speaking of a possible class action by SPMs. I had been instrumental in

helping to create the more extensive agenda for the POL board in preparation for handover to Alice Perkins and here I was suggesting that it would be sensible to have a specialist report also¹⁶. Given that Ms Perkins was new, I thought she would appreciate the assistance of the ARC in looking at what lay behind the article and that such a referral was appropriate in its own right. Detailed follow up had now become a matter for the POL board of which I was no longer a member.

98. This e-mail was not linked to "the imminent separation of POL from RMG" as I am asked but was the result of the timing of the publication of the Private Eye article.

99. The Inquiry has referred me to an e-mail chain between Martin Edwards and others dated 20 September 2013 (**POL00381747**). I do not believe I was part of such discussions in respect of the prospectus referred to in this email trail. This was not untypical at this time, as SHEX frequently communicated directly with management. As part of the RMG board I participated in the approval of the prospectus following read-through and legal advice. There were no issues or risks that were not followed up or stress-checked as far as I was aware. I believe the prospectus to have been accurate based on the information available to board members.

100. At that time, I had no particular concerns relating to Horizon impacting on the success of the separation of POL and RMG/RMH nor on the flotation of Royal Mail and no such concerns had been brought to my attention.-At the time,

¹⁶ I suggested a referral to ARC because the existence of a class action represented a risk to the business and not because I had formed any view about whether it had any prospect of success.

had this been raised I believe this would have been viewed by investors as a matter for POL and not Royal Mail and therefore would have had no impact on the flotation.

101. The process of privatisation and the fact that this was something I was aware was a government objective would not have prevented me from acting on any information, had I been aware of any, that called into question the reliability of the Horizon IT system. I felt no pressure from government or others and acted independently at all times. There was no benefit to me personally in a successful privatisation arising from my role.

102. As set out above, at the time the access issue was not connected to the SPM challenges, but rather seen as an external audit matter for the accounts. Reflecting on it with hindsight, even had the access issue been looked at differently, had the prospectus been amended on account of the access issue, or had it been highlighted as a risk factor to the accounts in the privatisation materials, it would not necessarily have had the effect of uncovering the connection with SPM cases.

SECTION 7: COMPLAINTS BY SPMS

103. Other than high level knowledge that there were prosecutions, I had no knowledge or involvement in investigating or responding to complaints concerning the Horizon IT system, or criminal or civil proceedings brought by POL. These were matters for the executive management.

104. I have been provided with copies of correspondence from 2010 and 2011 by the Inquiry in respect of complaints by SPMs. Firstly, I should discuss the way in which post addressed to non-executive and executive senior management was processed by the Royal Mail Group.

105. During my tenure, as Chair of both businesses a large amount of post was addressed to me covering a wide range of issues (for example, lost letters, the cost of stamps, use of rubber bands, as well as policies and operations). The post was triaged and sent to the appropriate departments so that the right people were dealing with the content of the letter and taking appropriate action. I believe that there was a central team based in Manchester and another team based in the Royal Mail's London office who dealt with post on behalf of directors and senior management. The Manchester team may have dealt with complaints, however, due to the passage of time I cannot now recall the exact way in which post was processed and distributed between the two teams.

106. I have been provided by the Inquiry with a copy of Ferndown Post Office Branch Information Briefing (**POL00294706**) in respect of SPM Mrs Athwal and a letter sent by Michele Graves, Executive Correspondence Manager, dated 28 June 2010 to Mrs Athwal. It appears that Ms Graves has written a response to Mrs Athwal in response to a letter that was addressed to David Smith, MD of POL (**POL00294727**), and I, however I have not been provided with a copy of the original letter. Within Ms Graves' response, she states that *'it is not appropriate for Donald or other board members to investigate personally on your behalf'*. I have not previously had sight of documents **POL00294706**, **POL00294727**, nor do I recall having sight of a letter from Mrs Athwal.

107. As this letter was responded to by Ms Graves, the Executive Correspondence Manager, I do not believe that I would have seen it. I cannot recall Mrs Athwall's situation ever being brought to my attention.

108. I am also asked about my knowledge or involvement in investigating and/or responding to complaints brought by MPs. Generally, I was not personally involved in these activities.

109. I believe that letters received from Ministers addressed for my attention were supposed to be provided directly to me and not syphoned off for other departments to deal with. Should any MPs write on the same subject as the one previously raised by a Minister (that I had responded to), then follow up letters from other MPs should have come directly to me¹⁷.

110. I have now been provided with a copy of a letter sent by Peter Bottomley MP in relation to SPM's Mr Lall's termination dated 24 January 2011. I do not believe I had sight of this letter at the relevant time. I expect that this may have been dealt with by one of the central correspondence teams based in either London or Manchester and not brought to my attention.

111. I was not involved in the investigation by Second Sight into the Horizon IT system. As part of separation in April 2012, I had resigned from the POL board and Alice Perkins was now Chair of POL at the time of the interim report dated 8 July 2013 (**POL00099063**). Accordingly, with POL now separated, it was expected that its board and CEO would deal with any issues arising from further

¹⁷ I can recall an example of this in 2010 (approx.) when Rt Hon Pat McFadden, the then Postal Minister, wrote to me in respect of a campaign called Queen & Country based on the work of Steve McQueen to ask Royal Mail to issue commemorative stamps of individual servicemen and women who had lost their lives in Iraq. Once I received this letter from the Postal Minister in respect of this campaign, letters from MPs on the same topic came directly to me.

reports in respect of Horizon or SPMs' legal proceedings. Although I remained Chair of RMH, our main function at that time was to resolve any potential disputes between RMG and POL, as such it is my belief that we were not provided with any reports POL received during this period. I did not see this interim report from Second Sight. At the time of the final Second Sight report dated 9 April 2015, I was no longer on the board of POL or RMH. In addition to this, I was not involved in the Initial Complaint Review and Mediation Scheme which I now understand was established to help resolve the concerns of SPMs regarding the Horizon system and other associated issues.

112. I have read the POL note regarding a Lessons Learned review (**POL00040032**). I do not believe I was interviewed for the POL lessons learned project and was unaware that my participation had been considered a possibility.

113. Around the time of my handover to Alice Perkins and following the publication of the Private Eye article (September 2011), I recollect sharing with both Alice Perkins and Les Owen (NED) that I considered there to be remaining open questions regarding the prosecutions. My thoughts and questions at this time can be seen within my email dated 29 September 2011 (**POL00405910**). Within this email chain, I flagged this as an issue to Paula Vennells, who then copied Alice Perkins and others into the email chain. I then recollect having separate discussions with Alice Perkins and Les Owen as I felt it was an area to keep under review as I thought 'something didn't feel quite right'. This was in the context of assisting in framing the forward agenda for the POL board. I do not recall discussing this issue with SHEX.

114. I did not investigate complaints raised by SPMs. That was not my role. Regarding complaints by MPs I would have expected those to be handled by the public affairs team or correspondence team reporting to management.

115. I have read an email chain involving Martin Edwards dated 12 July 2013 (**POL00191953**). I do not remember what the referenced call to Alice Perkins was about. The briefing note to Ms Perkins here is illustrative of a way of working at POL that was hard to change. Considerable overpreparation and work prior to finding out what I wanted to speak about was undertaken, rather than finding out and then focussing on the answer. The note also illustrates a tendency to want to describe everything as "ok, nothing to worry about" in POL communications.

116. I believe this illustrates an important point about culture. I found the culture of POL to be heavily influenced by three factors. First, the considerable desire of management to please HMG, second, the reality that without subsidy from HMG, POL would fail as a business and, third, a strong desire for independence. It was a bricks-based business in a world increasingly dominated by clicks-based businesses. It faced considerable strategic headwinds. The result, in my view, was a reluctance by management to share anxieties for fear that they would undermine the case for subsidy. I speculate that this culture may have contributed to the reluctance to admit to BEDs in the Horizon IT system with all its consequences for SPMs.

117. The Martin Edwards email chain dated 12 July 2013 (**POL00191953**) makes clear that the Company Secretary for RMH and RMG, Jon Millidge, had been briefed on the Second Sight Report. At the time, POL had been separated from

RMG since April 2012 and therefore this may have been why it was noted that Jon Millidge saw it as an issue for POL. I did not see the interim or final Second Sight Report. Neither reports were provided to me during my tenure at Royal Mail. I can only assume that the executive were dealing with these reports as well as the POL board and that the Company Secretary did not consider it necessary to bring these reports to my attention.

118. I have been provided with and asked about Simon Clarke's advices of 15 July 2013 (**POL00006357**) and of 2 August 2013 (**POL00129453**) and Deloitte's Project Zebra reports dated 4 June 2014 (**POL00028069**). I was neither aware of the existence or the gist of these documents at the time. In July and August 2013, I was still Chair of RMH. At this time the companies had already separated and were in the final weeks before the date of privatisation, and it may be that the requirement for POL to be able to act entirely independently affected decisions to pass on information. By contrast, at the time of the Deloitte Project Zebra report I was no longer Chair of either POL or RMH.

SECTION 8: GENERAL

119. I am asked whether I provided sufficient information on the relevant issues to the boards on which I sat or to HMG. I did not have any unique information and therefore had none to provide.

120. I am also asked about how POL handled challenges to the integrity of the Horizon IT system. It is now abundantly clear that this was not done well. I still do not know why this is so, but I suspect that the existence of a functioning

system was so important to the future of POL that no POL executive dared to admit it might not be fully fit for purpose.

121. I am asked about how the boards of RMH, RMG or POL or HMG maintained effective oversight. I believe that all the proper and appropriate processes for good governance were in place and were operative. As I have said earlier in this statement, all controls of this nature break down if the basic inputs are not truthful.

122. I am asked about POL's approach to prosecutions and the disclosure of information to SPMs who were convicted based on Horizon data. I was not aware nor briefed on the detail at the time in respect of POL's approach to these prosecutions nor on how its managers communicated with SPMs. This would have been handled by the legal functions of the Group, any issues would go via the normal channels to the Company Secretary who would then report to the relevant board. Given what I now know, the approach to prosecutions was wholly and indefensibly inappropriate. I am ashamed that this occurred whilst I was part of the Royal Mail Group.

123. In absolutely no way can the events being looked at by the Inquiry be excused, but I reflect that the work of the Inquiry may be assisted by reviewing the context in which the businesses were operating. The suffering of wrongly accused SPMs was utterly regrettable and indefensible and I am grateful to have had this opportunity to assist the Inquiry.

Statement of Truth

I believe the content of this statement to be true.

Signed:

GRO

Dated: 11/11/2024

Index to First Witness Statement of Sir Donald Hood Brydon

| <u>No.</u> | <u>URN</u> | <u>Document Description</u> | <u>Control Number</u> |
|-------------------|-------------------|--|------------------------------|
| <u>1</u> | RMG00000005 | Minutes: Royal Mail plc Audit and Risk Committee Minutes, dated 20 May 2011 | VIS00007413 |
| <u>2</u> | RMG00000007 | Minutes: Royal Mail Holdings plc Audit and Risk Committee Minutes, dated 17 November 2011 | VIS00007415 |
| <u>3</u> | RMG00000003 | Minutes: Royal Mail Holdings plc Audit and Risk Committee Minutes, dated 8 December 2011 | VIS00007411 |
| <u>4</u> | UKGI00001328 | Letter from Vince Cable (BIS) to Donald Brydon re: shareholder role in Royal Mail over next few years, dated 30 September 2010 | UKGI012142-001 |
| <u>5</u> | POL00405910 | Email from Paula Vennells to Les Owen, Matthew Lester and others re Private | POL-BSFF-0231758 |

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| | | Eye/Horizon, dated 29 September 2011 | |
| <u>6</u> | POL00030217 | Ernst & Young Management letter to POL, year ended 27 March 2011 | POL-0026699 |
| <u>7</u> | POL00378686 | Email from Paula Vennells to Shane O'Riordain, Cc'd Alice Perkins, Moya Greene and others Re: Horizon, dated 26 November 2011 | POL-BSFF-0205573 |
| <u>8</u> | POL00381629 | File notes Susan Crichton/Paula Vennells - FRIDAY 30/9 Costa Coffee Old St/Goswell Rd, MONDAY 2/9/13 PV meeting room 3pm and Reflections, dated 2 September 2013 | POL-BSFF-0208516 |
| <u>9</u> | POL00294837 | Horizon – Response to Challenges Regarding Systems Integrity, dated 2 August 2010 | POL-BSFF-0132887 |
| <u>10</u> | RMG00000004 | Minutes: Royal Mail Holdings plc Audit and Risk Committee Minutes, dated 13 May 2010 | VIS00007412 |

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| <u>11</u> | POL00021499 | Minutes: POL Board Meeting Minutes, dated 27 May 2011 | POL0000032 |
| <u>12</u> | POL00021500 | Minutes: POL Board Meeting Minutes, dated 4 July 2011 | POL0000033 |
| <u>13</u> | POL00029438 | Post Office LTD Board, POL IT Audit Update, dated September 2011 | POL-0025920 |
| <u>14</u> | POL00030365 | Minutes: POL Board Meeting Minutes, dated 22 September 2011 | POL-0026847 |
| <u>15</u> | RMG00000127 | Minutes: Royal Mail Holdings plc Board of Directors Meeting Minutes, dated 14 December 2011 | VIS00013026 |
| <u>16</u> | FUJ00086922 | Briefing note on Audit findings for Post Office and Fujitsu Senior Management, dated 28 April 2011 | POINQ0093093F |
| <u>17</u> | POL00029114 | POL Draft Review of Key System Controls in Horizon: Assurance Review (Draft 11/005), dated February 2012 | POL-0025596 |
| <u>18</u> | POL00030482 | Post Office Limited Review of Key System Controls in | POL-0026964 |

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| | | Horizon, Assurance Review Report, dated March 2012 | |
| <u>19</u> | POL00381747 | Email from Martin Edwards to Paula Vennells and Mark R Davies re: Prospectus update, dated 20 September 2013 | POL-BSFF-0208634 |
| <u>20</u> | POL00294706 | Ferndown Post Office Branch Information Briefing, undated | POL-BSFF-0132756 |
| <u>21</u> | POL00294727 | Letter from Michele Graves to Rachpal Athwal re: Post Office Ferndown branch, 3 Penny's Walk, BH22 9TH, dated 28 June 2010 | POL-BSFF-0132777 |
| <u>22</u> | POL00099063 | Signed Interim Report into alleged problems with the Horizon system, dated 8 July 2013 | POL-0098646 |
| <u>23</u> | POL00040032 | Post Office Lessons Learned Review of handling of alleged issues/concerns about Horizon: Terms of Reference, produced in July or August 2013 | POL-0036514 |

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| <u>24</u> | POL00191953 | Email from Martin Edwards to Charles Colquhoun re Donald Brydon call, dated 12 July 2013 | POL-BSFF-0030016 |
| <u>25</u> | POL00006357 | Simon Clarke's advice on the use of expert evidence relating to the integrity of the Fujitsu Services Ltd Horizon System, dated 15 July 2013 | POL-0017625 |
| <u>26</u> | POL00129453 | Simon Clarke's advice on disclosure - the duty to record and retain material - Post Office LTD, dated 2 August 2013 | POL-0134937 |
| <u>27</u> | POL00028069 | Deloitte's Project Zebra reports, dated 4 June 2014 | POL-0023072 |