

Witness Name: HENRY ERIC STAUNTON

Statement No.: WITN11410100

Dated: 6 SEPTEMBER 2024

POST OFFICE HORIZON IT ENQUIRY

FIRST WITNESS STATEMENT OF HENRY ERIC STAUNTON

I, **HENRY ERIC STAUNTON**, will say as follows...

INTRODUCTION

1. I make this statement to the Inquiry in relation to my former role as chairman of Post Office Limited (the "**Post Office**"), which I held between December 2022 and January 2024.
2. My evidence to the Inquiry will cover the following topics and themes:
 - a) My career and recruitment to the Post Office;
 - b) My role in chairing the Post Office's Board, including how the business interacted with the shareholder (the British government);

- c) They key topics addressed by the Board in my time as chairman, insofar as these are relevant to the Inquiry (including the Horizon replacement project, and the redress and compensation schemes);
 - d) The culture I observed during my time at the Post Office, including an excessive focus on executive pay, clashes and unhappiness among senior leadership, and lingering distrust of postmasters by management; and
 - e) My departure from the Post Office and the personal repercussions from my time at the company.
3. My role at the Post Office, as I shall explain, was one of oversight and governance. It was not a day-to-day, operational role. I make that point as context for the evidence I shall give. I had an overview of many of the matters the Inquiry is examining and would interrogate and challenge management decisions on these topics where I thought necessary. My interactions with Post Office staff tended to be with those at a senior level, and it was through that lens that I had a view of the culture of the organisation. By necessity therefore, my evidence to the Inquiry touches on boardroom and executive culture. I recognise – and completely agree – that these matters are much less important than the plight of individual wronged postmasters. However, I hope that my evidence on these matters will assist the Inquiry by shedding a light on the culture and priorities of senior management during my tenure, and on the areas where the Post Office still has room to improve.

4. I have been assisted in preparing this statement by my legal advisers, Lewis Silkin LLP.

CAREER BACKGROUND

5. My career began in accountancy, after studying at the Exeter Business School. I spent 23 years at Price Waterhouse (now PwC), where I obtained my chartered accountancy qualifications with the Institute of Chartered Accountants of England and Wales. I left my role as a Partner at Price Waterhouse for a role as Executive Director of Granada Group and ITV, where I stayed for 12 years.
6. I have since had an extensive career as a non-executive director, serving as chairman of four public companies: Ashtead (plant hire), WHSmith (retail), Capital and Counties (property) and Phoenix (life assurance). I was also vice chair of Legal & General, and a non-executive director of, amongst others, the media companies EMAP, ITN and BSkyB; the gambling company Ladbrokes; financial services provider Standard Bank; and the investment trust Merchants Trust.

RECRUITMENT TO POST OFFICE

7. At the time I was approached to become chairman of the Post Office, I was in my seventies and had been looking forward to a full and happy retirement. With my chairmanship of WHSmith due to end on 30 November 2022, and my term at Capital and Counties similarly coming to an end in March 2023, I had no intention of taking up a further non-executive appointment. I initially

demurred when approached about the Post Office chairmanship. However, I was persuaded that by taking on the role of supporting a vital public institution in its rehabilitation in the aftermath of the Horizon scandal, I would be doing a public service and giving something back to the community. It was in that spirit that, at the age of 74, I took on what I expected to be a challenging role – although nowhere near as challenging as it in fact turned out to be.

8. The recruitment process for the role was thorough. It involved a series of interviews with the Post Office's appointed head-hunters, members of the Post Office senior executive team and government stakeholders, including the then Business Secretary, Kwasi Kwarteng, and representatives of UK Government Investments ("**UKGI**"), which manages the government's investments, including its Chief Executive, Charles Donald. I understood from Mr Kwarteng that the government was hoping to draw upon my experience over a lifetime of senior roles leading British public companies, many of which had faced and overcome significant challenges to their business.
9. The previous chairman, Tim Parker, left on 30 September 2022. Since I was still in my role as chairman of WHSmith until 30 November 2022, I did not officially take on the role as Post Office chairman until 1 December 2022. However, from 1 October 2022 I was shadowing the role, with the Senior Independent Director ("**SID**"), Ben Tidswell, officially chairing the board for that interim period. This gave me the opportunity to get up to speed on the key challenges facing the business and to "learn on the job" before my role officially began.

THE ROLE OF THE CHAIRMAN

10. In many ways, my role as chair of the Post Office was similar to other roles I had performed elsewhere, which was primarily to lead the Board and work with the CEO to improve our commercial position and review the business's long-term strategy. However, there was an additional public sector angle to the Post Office role. There were of course also very specific challenges facing the Post Office, not least the need to improve the organisation's culture including leadership's relationship with postmasters, to keep the Horizon replacement project under review, and to review the position with regard to wronged past postmasters. My role was one of corporate oversight; I did not play an operational role in the business. While I could "nudge" the executive, it was not my role to make day-to-day operational decisions for the business.
11. I was well used to the role of a chairman being demanding: I had experience of dealing with major corporate transactions and with the significant regulatory requirements of the insurance and banking sectors. However, somewhat to my surprise I found the time commitment from being Post Office chairman was at least 50% greater than the average of my other chair and deputy chair roles. The role of chairman was nominally two days per week, although in reality it demanded more of my time than that. I say this not to make any complaint – I was happy to do the additional work necessary – but to underscore the scale of the challenges that I came to understand were facing the Post Office.

12. In my time shadowing the role of chair in the autumn of 2022, I had the opportunity to come up to speed on the key issues facing the business. My initial assessment was that the Post Office needed to refocus its activities in order to put its operations on a commercially viable footing. That would include maximising the opportunity for the parcels business; delivering more banking services as the big banks deserted the High Street; increasing the online businesses using the trusted Post Office brand; and significantly reducing the business's bloated cost base.
13. However, the business needed first to draw a line under two fundamental issues it faced. These were, firstly, the legacy of the Horizon scandal, which would require the full and speedy exoneration of all the convicted postmasters and appropriate and rapid redress to the thousands of postmasters and their families who had lost so much. Secondly, there was the need to replace the discredited Horizon IT system. It was clear that both would require substantial sums to be earmarked, but I assumed the case for doing so was so overwhelming that the necessary funds would readily be set aside. It was therefore a considerable surprise that when I met the civil servant overseeing the Post Office early in my term as chairman, I was told that there would be little appetite in government for the kind of decisive and morally imperative action that I believed was necessary. Instead, the message I received was that I was expected to fulfil a more limited caretaker role, overseeing a more modest plan to "hobble" up to the next election. I address this meeting in more detail below.

14. Having been briefed on these matters ahead of my term as chairman beginning, I had initial reservations that the scale of the Horizon challenge was not fully appreciated when it came to the treatment of sub postmasters. It was evident to me that Horizon had been completely unreliable as a system and the 700 plus convictions of sub postmasters were suspect. As an outsider coming into the organisation (with no prior experience of managing a company involved in the prosecution of criminal offences), it seemed obvious that exoneration was something that required proactive consideration. But it became clear early on, that this was not on the agenda. Instead, there were three complex schemes for redress, which only helped those whose convictions had already been overturned or who had not been convicted but nonetheless lost money (for example by ploughing their own savings into the losses wrongly calculated by the Horizon IT system). These were administered, it seemed to me, in a bureaucratic and unsympathetic way (particularly in relation to overturned convictions), as evidenced by some of the examples given elsewhere in this document.
15. It became apparent that there was a widespread view internally that those convicted who had not come forward to appeal were “guilty as charged”. For example, 39 former postmasters had their convictions overturned by the Court of Appeal in April 2021. But when I joined the Post Office, the attitude of senior management was not that those individuals should never have been prosecuted in the first place. Rather, the view was that the majority of convictions should still stand. I address that prevailing view further below. I personally found it implausible that so many postmasters could have acted

dishonestly, but I learnt quickly this was not the view of management. It seemed to me that a change of mindset would be required but I had no success on this point – it was not until the ITV Mr Bates vs the Post Office programme aired that the dam broke.

LEGAL AND PROFESSIONAL PRIVILEGE

16. I have been asked about the application of legal and professional privilege in my role as chairman. I understand that there is a concept of legal privilege but would not pretend to be an expert and I am aware that there are circumstances where it would be appropriate to limit circulation of privileged legal advice however this did not arise as an issue during my time as chair. Legal advice was regularly included in board papers, and counsel even attended some board meetings to advise the board, which I understood to be entirely proper and had I been told that advice affecting board decisions could not be shared with the board, it is likely that I would have pushed back; but that did not occur.

EARLY INTERACTIONS WITH GOVERNMENT

17. Shortly after my appointment as chairman, on 9 December 2022 the Permanent Secretary to the Department for Business, Energy and Industrial Strategy, Sarah Munby, wrote to me regarding the strategic priorities that the government wanted the Post Office to focus on (**BEIS0000622**). These were as follows:

- a) “Effective financial management and performance, including effective management of legal costs, to ensure medium term viability
- b) “Maintaining and improving POL’s capacity, capability, and resilience at all levels of the organisation including the top team;
- c) “Engaging positively with the Post Office Horizon IT Inquiry and implementing change, including resolving historical litigation issues, successfully delivering the Strategic Platform Modernisation Programme (SPMP) [i.e. the plan for the replacement for the Horizon IT system], and reaching settlements with claimants.”

18. Ms Munby also referred me to her letter to my predecessor Mr Parker, which went into more detail on the strategic priorities (UKGI00044315). Likewise, the priorities set out in the letter to Mr Parker (which were essentially an expansion of the points above) were exactly what I would have expected the key issues to be. On the point of resolving historical litigation issues, Ms Munby said POL’s chairman should *“challenge POL management so their activities are reflective of our shared objectives for compensation: to see postmasters are treated with consistency and they receive swift compensation that is fair for claimants and taxpayers”*. Certainly, I also wanted postmasters to achieve compensation swiftly – although there is an inherent contradiction in this goal that Ms Munby herself acknowledges in describing the *“challenging objective of balancing fair and swift compensation [...] with making appropriate use of taxpayers’ money”*. I think it was reasonable to take from this messaging that the government did not want compensation for

postmasters to be overly generous. It is worth noting that the equivalent letter I received the following year from the minister, Kevin Hollinrake, on 29 June 2023, was no longer couched in the language of appropriate use of taxpayer money (Letter from Kevin Hollinrake dated 29 June 2023, **UKGI00044317**) and gave a rather clearer message that the Post Office should *“provide fair compensation to those affected by its historical failures”*.

19. When I met with Ms Munby on 5 January 2023. I took a file note of the meeting, which I shared with the Post Office CEO Nick Read (Email: Fwd: Note of meeting with Sarah Munby on 5 Jan 2023”, **RLIT0000254**). As my note records, I was direct with Ms Munby about the challenges the business faced, which I said were as great as I had seen at any corporation. We discussed the financing and network challenges in the Post Office. We were facing a deficit of £160m across the business, half of all post offices being either loss making or earning less than £5,000 (which was a real concern given a significant part of a postmaster’s remuneration is commission-based), and a recent survey showing that a third of postmasters would hand back their keys over the next five years. The Post Office needed a long-term plan to turn things around, which I expected would take three to five years.
20. However, there was clearly little appetite for long-term thinking or to fund the important issues that were facing the business. I was told that *“politicians do not necessarily like to confront reality”*, that in the run-up to the election there was no appetite to *“rip off the band aid”*, and that *“now was not the time for dealing with long term issues”*. Instead, we needed a plan to *“hobble”* up to

the election. She added that the Treasury could see any requests from the Post Office as a "*begging bowl*". I commented that, with respect to funding issues, the costs related to poor decisions made many years ago with relation to Horizon and related legal issues. It was clear to me that the challenging state of the Post Office finances was inextricably linked to the Horizon project and the cost of the litigation and redress schemes with postmasters. The main cost challenges that we faced were: firstly, redress and compensation; secondly, the replacement for Horizon; thirdly the costs of the Inquiry; and fourthly operational costs. With the Inquiry, costs would be what they would be, so this was not a lever we could pull. While there were significant reductions we could make to overheads (which would require a major cash commitment as we would be looking at a strategic reorganisation), the reality was the two biggest "spend issues" at the Post Office were not operational funding but the spend on a replacement for Horizon and remediation. While Ms Munby did not say so in these terms, I was left with the clear impression that Government wanted us to go slow on both fronts.

21. I am aware that Ms Munby has denied both using the language I have quoted and giving the message that remediation for postmasters should be slowed. It should be noted that her notes on our conversation (Letter from Sarah Munby to Kemi Badenoch dated 21 February 2024, **RLIT0000255**) were written more than a year after our conversation, whereas my note was contemporaneous, shared with Mr Read the day after the meeting. My note was made without any objective other than to record what was said at the time; hers was made subsequently, after I had revealed what mine said. In her note she said that

she was referring to “operational funding” and not to compensation for postmasters, which was a ringfenced pot. In reality, even if the budget is ringfenced, if the amount that has been ringfenced proves not to be enough then it is inevitable that extra money would need to come from somewhere. So, if a decision was made that compensation should be more generous, or if wider exoneration were to be applied, then inevitably that would require an injection of cash. Ms Munby made clear to me that money was tight and that while she understood the seriousness of the financial position at Post Office, politicians did not like to confront reality. Evidently, I was not to expect significantly more money to be forthcoming from the government even if I felt the remediation schemes required it.

22. I note that Ms Munby does not deny that she talked to me about “electoral pressures”, and that she said “short term financial fixes” would be required in the context of “the likely impact of the election on decision making”. Again, the very clear message I received from the conversation was that the government was not inclined to make a significantly increased outlay on the two biggest cost bases for the Post Office – the Horizon replacement project, and compensation for postmasters.
23. The Inquiry has also provided me with copies of civil service emails that contain a contemporaneous note of our meeting (Email: “FW: [Briefing Request – midday Friday 23/12] RE: Attached Letter from Henry Staunton Chairman” 16 February 2024, **BEIS0000752**). I note that in many respects this accords with my own note. Like my note, it records that I said the

challenges facing the Post Office were significant. It also echoes the language I recorded Ms Munby using, in particular the Treasury term “*begging bowl*”, which she said was “*a dynamic worsened by horizon/inquiry costs*”. That supports my impression from the conversation that any requests for further cash – even Horizon-related – would be poorly received. The overlap between the contemporaneous civil service note and my own should demonstrate to any objective reader that my own note was a faithful summary of the conversation.

24. Thereafter, I had limited interactions directly with the Department for Business (and no further interactions with Ms Munby, who moved to a new department not long thereafter). I should say that in general terms, after this point I felt that the oversight by the Business Department with regard to Horizon and remediation was good; we attended a quarterly meeting with the department and in my view they were asking the right questions. I did not have governance concerns from that perspective during my tenure as chairman. My communications with the government as shareholder, to the extent I had these directly, were largely conducted via UKGI, whose responsibility it was to represent the government’s interests as the Post Office’s shareholder. While I did meet a couple of times with the Post Office Minister, Kevin Hollinrake, and once each with Kwasi Kwarteng and Grant Shapps in their stints as Secretary of State, most of the time it was the role of the UKGI non-executive director on the Post Office board to keep government up to speed on the issues we were dealing with. Alternatively, if I had comments to pass on to UKGI or

government, I would usually make these to Mr Read as CEO to pass on, rather than meeting with the shareholder directly myself.

HORIZON IT SYSTEM

25. While I am not personally an IT expert, I do have considerable experience in my career of overseeing new systems being implemented. The Boards that I served on would have taken a view on the progress and funding of such system changes. Having said that, the replacement of the Horizon system was far larger than any other IT project I had previously encountered.
26. On joining the Post Office I had a full briefing on the Horizon system and the plans for its replacement. The key decisions on this project had already been made. Firstly, whether to patch it up or have a complete replacement. Secondly, whether to purchase an off-the-shelf system or build a bespoke system. The decision was to proceed with a bespoke system as a complete replacement. This was obviously the most expensive and risky route but the decision had been taken after a huge amount of work by IT experts within the company and specialist IT consultants. I personally had reservations about whether, especially given the spiralling costs, this was the right course of action and whether we might have been better outsourcing or involving an external partner in the project.
27. There seemed no doubt in the IT team that the current system was unreliable. For that reason, quite rightly, no prosecutions of postmasters had been pursued for some years. It was that acknowledged unreliability, as I describe

above and explore in more detail below, that led me to believe the existing convictions and levels of redress should be reconsidered.

28. The project to replace Horizon was known internally variously as New Branch IT (“**NBIT**”) and Strategic Platform Modernisation Programme (“**SPMP**”). For ease, in this statement I mainly use the catch-all term “Horizon replacement” project.
29. As a Board, we had oversight at a governance level of the Horizon replacement project. We received reports from the executive steering committees about the project. Towards the end of my time as chairman, we also set up a new Board committee to evaluate major projects, including the Horizon replacement. The new committee, the Investment Committee, was chaired by a non-executive director, Andrew Darfoor, and brought considerable clarity and improved information to the board. The role of the committee was to provide a more detailed level of review and challenge than the Board could when senior leaders appraised the Board of updates at our normal meetings.
30. It was evident at the time I became chairman that we were not moving fast enough on implementing recommendations arising from the High Court judgments associated with the Group Litigation Order. The December 2019 judgement known as the Horizon Issues Judgment (“**HIJ**”) made 15 specific findings of fact about how the Horizon system operated at the relevant time. The Post Office had grouped these into five themes (Horizon Defects; Core Horizon Data; Remote Access to Branch Accounts; Discrepancies and

Shortfalls; and Reliance on Fujitsu) to allow remediation action to be tracked. There was also the March 2019 judgment, referred to as the Common Issues Judgement (“**CIJ**”), which had concluded that the Post Office had to provide a Horizon system “*which is reasonably fit for purpose*” and also led to a plan for improvements. However, the Post Office fell behind on implementing these improvements. I know that the CFO Alisdair Cameron also raised concerns with Mr Read about how we were tracking the CIJ recommendations arising from Mr Justice Fraser’s judgment in an email on 23 March 2023: “*We have a CIJ scorecard which we don’t understand or really discuss [...] The CIJ scorecard completely ignores what we are worried about: losses; investigations; stamp accounting; use of the retail button. In consequence it looks alright, although there is no real communication of how much things are getting better or if we are hitting what Fraser wanted.*” (Email: “RE The robustness of our governance” 26 March 2023, **POL00423699**).

31. Ahead of my first board meeting as chairman in December 2022, I saw the minutes from the November 2022 meeting in which Mr Read said that the Post Office did not have sufficient funds to attend to all HIJ items, and the priority was on improvements to Horizon. At that meeting, the UKGI non-executive director Tom Cooper expressed concern about funds being diverted for HIJ activities if this took money away from other projects like NBIT (i.e. the project to replace Horizon), when both projects were vital. He also said that government did not have sufficient visibility in relation to HIJ deliverables. At Board meetings (for example in January 2023), I sought assurances from management on the progress of HIJ remediation. I also questioned Mr Read

separately as it seemed to me that we would want to see basic controls in place following the judgments as a priority over Horizon spend, and so would the Inquiry in all likelihood. We owed this to current post masters who would be nervous about the unreliability on their branch accounts.

32. At the time I joined, the level of spend on the Horizon replacement project was significant. We received regular updates to the Board of the mushrooming costs. By June 2023, we were told by the CEO that costs from end to end were now projected to be £846m (up from £328m just three months prior) not including contingency, meaning total costs could exceed £1bn. The business was aware that such figures would not be welcomed by the government, given the pressures on the public purse. The Chief Executive therefore reported that a decision had been made to take a step back to look at options that may be available to deliver differently (POL Board Meeting, CEO Report, 6 June 2023, **POL00448711**). Moreover, we were facing burnout and low morale in the team delivering the Horizon replacement, which meant there was a risk we would not retain crucial people. We were having to ask fundamental questions about whether the strategy to develop and operate the system in-house was still right.

33. As a result, work and spending on the Horizon replacement was drastically cut back as the business took a pause and considered how to move forward. We had Accenture carry out a short, sharp, six-week review of whether we were on the right path in the Autumn of 2023. In the meantime, combined monthly spending on the Horizon replacement projects came down from a

high of £17,325,679 in September 2023 to more like £3million to £4million from November 2023 until my departure. I thought this was the right thing to do; the budget figures had reached a level that we could not keep blindly pouring money in without stepping back to consider if we were still on the right path. Accenture reported back in late October 2023. They endorsed the decision to build in-house, on the basis that the core technology was now approximately 50% built and in recognition that the decision not to buy off the shelf was because of the Post Office's "uniqueness". They made various recommendations, including in relation to the scope of the project, the possibility of engaging a partner to assist with delivery, amendments to timelines and – most importantly from my perspective – governance. I was already on the case from a governance perspective, having established the Investment Committee chaired by Mr Darfoor referred to above. The other recommendations were in the process of being reviewed and implemented in my final months at the Post Office.

34. We were also aware of funding pressures from the government. While the Horizon replacement was a big project that needed funding, we were under pressure from government to keep costs down. For example, when the Post Officer Minister, Mr Hollinrake, joined a Board Meeting strategy session on 12 July 2023, he quite reasonably challenged the company to reduce its funding request, naming specifically the NBIT costs. He said the appetite remained to deliver the project, however *"it was about delivering what we could and when we could"*. (Minutes of POL Board Meeting on 12 July 2023, **POL00448715**, p1-3) I took this to be a "go slow" message from the government, but not one

that I objected to as I also thought it was sensible to take time to evaluate our position. Similarly, at the September 2023 Board Meeting, Ms Gratton queried whether there was any element of spend on the Horizon replacement between that time and March 2024 that could wait.

35. As the costs of the Horizon replacement project rose, I was beginning to ask myself whether the strategy to develop and operate the system in house was right. The project had nearly quadrupled in cost and it seemed to me there were too many consultants with an interest in keeping the figure high and the IT management similarly may have over-influenced Accenture. I noted there were some aspects of Horizon that worked well but the systems and controls over branch accounts with postmasters (including changes to branch accounts by Fujitsu) were hopelessly inadequate. After projected costs rose to over £1bn, I questioned with the IT Director about whether there was a lower cost solution to dealing with the inadequacies of Horizon using those parts of the system that did seem to work.
36. The backdrop to these decisions was discontent in the teams responsible for the Horizon replacement project, of which I became aware. I refer below to complaints raised by Katie Secretan, who had a senior role in NBIT. Separately, in June 2023, I received an anonymous “John Doe” whistleblowing complaint, relating to the NBIT element of the Horizon replacement project (Email: “Whistleblowing” 27 June 2023, **POL00448689**). It was sent directly to me because the sender said they did not trust the Post

Office whistleblowing process, and escalations to Mr Read had not been dealt with.

37. The email described NBIT as a “*disaster*” and said the Post Office was repeating the mistakes of the past. The writer claimed that the project was behind, defects were not in control and what had been built so far was “*sub par*” and had caused “*issues that they don’t know how to fix*”. It also made claims that people were scared to speak up. The complaint was critical of Mr Read directly for his alleged “*unwillingness to deal with any sort of conflict or make a difficult decision*” and of the CIO, Zdravko Mladenov, for his management style and level of experience. The author wrote, “*The culture in the business is disgusting and this starts at the top with Nick and the GE [General Executive]. More than one person has heard comments from Nick Read about public school education and there is a class, race and gender divide at the top.*” The complaint revealed the stress levels and dissatisfaction within the teams responsible for the rollout of the Horizon replacement scheme, which was a matter of concern both from a cultural and practical perspective.
38. I took the complaint seriously and dealt with it appropriately, involving Legal from the outset and bringing the complaint to the Board. I responded as advised by our “Speak Up” team. The complaint was discussed at the next Board meeting on 5 July 2023. It was apparent that many of the issues raised by “John Doe” were already being addressed. From a governance perspective, I was aware that Mr Read had already started a steering group

on the project, and I had already asked Mr Darfoor to chair the Investment Committee, which would monitor the implementation of NBIT. There was a distinction between the whistleblower's complaints about "competence" and those about "conduct", with the latter better fitting into the whistleblowing category and requiring a conventional whistleblowing investigation by the investigations team. I was informed that the team was already investigating a similar whistleblowing complaint, but that the investigation would need to be widened and external support sought. The competence questions were something that could be addressed internally. The result of those investigations would then be brought back to the Board. To the best of my recollection, this was not brought back to the Board in my time as chairman.

39. Concerns were also raised by the CFO Mr Cameron in relation to the governance of the NBIT programme (part of the Horizon replacement project). Up until January 2023, the Post Office had a monthly governance meeting, chaired by Mr Cameron and attended by key executives, which reviewed progress against key milestones, costs and risks. My understanding at the time of joining the Post Office was that this process was working well. However, in February 2023, Mr Read requested this governance structure was to be abandoned, as he wanted to introduce a new governance structure, which he headed. The new governance structure was not put in place for some months, which caused huge frustration with the executive team. Mr Cameron had reported to various executives that he felt the NBIT programme was becoming "out of control" and that the costs were spiralling.

40. I understand Mr Cameron wrote to Mr Read about the lack of robustness of governance on 23 March 2023 (Email: "RE The robustness of our governance" 26 March 2023, **POL00423699**). In that email, he made the point that there had been no *"formal governance of NBIT for months and there is no date when we can expect it"*. He also said to me that he thought Mr Read was being "reckless" and there were insufficient controls over NBIT expenditure. I suggested to Mr Read that we needed an executive committee to be formed as soon as possible to again oversee this huge project. I also became aware that Mr Cameron spoke to Ms Davies in May 2023, where he stated that he felt the full cost exposure of the NBIT replacement was being hidden from the Board and that the Board would have a huge shock later in the year, once the true costs were revealed. Again I took this up with Mr Read who felt Mr Cameron was overstating things. Mr Cameron went on long term sick in April 2023.

REDRESS AND COMPENSATION

41. I have been asked to comment on steps taken to ensure the delivery of compensation to postmasters in a timely fashion. As chairman, I was not involved in the day-to-day operation of the various remediation schemes for wronged postmasters. My role, and the role of the board, was to oversee the projects, to hear reports from the relevant senior leaders and to challenge where we thought things could be done better. My impression was that there seemed to be little recognition within the Post Office's remediation team that we were looking at injustice on an industrial scale and that lawyers (both

internal and external) made issues overly adversarial. That is why I suggested to Mr Read while I was chairman that the process be taken out of Post Office's hands, which eventually did happen this year, only a couple of months after I made that recommendation to the Chair of the Business and Trade Select Committee.

42. Having met the Department for Business's permanent secretary, Ms Munby, as I describe above, I reported back to Mr Read my impression from the conversation that the government wanted to "go slow" on compensation schemes. However, when I spoke to Mr Read in person, I said to him that we should nonetheless expedite compensation and that I would take the consequences if there were any criticism from government for doing so.
43. The Remediation Committee reported at every board meeting so I had a general overview of how the schemes were progressing. I also met on a roughly monthly basis separately with the executive responsible for Remediation, Simon Recaldin. It was the responsibility of the Remediation Committee to consider each case individually before they were offered any money. My attitude throughout was that we should expedite compensation, and I encouraged the remediation team in that regard.
44. It was clear from early on in my term as chairman the extent of the disservice we had done to postmasters. Some of the testimony reported to me was harrowing. For example, the CEO's report of 24 January 2023 closed with an account of Mr Read's meeting with GRO a former postmaster who along with GRO was one of the first to formally reach settlement

after their cases were overturned [GRO]. Mr Read described her, [GRO] [GRO] as being “*still visibly distressed, unable to open communication from POL*”, with her [GRO] having to open all emails and post. She described the humiliation [GRO] and the mental stress that forced her to [GRO]. She said the remediation process was impersonal, and that the Post Office’s lawyers had demonstrated brutality and lack of trust in the process of recovering compensation. For all this, she received [GRO] in compensation. That seemed like rather a paltry amount to me for a life overturned. Mr Read noted that, on this evidence, it would be difficult to demonstrate to the Inquiry that our culture truly had changed. This report and others brought home to me the depth of the trauma the postmasters were facing. While it was good that Mr Read recognised that not enough was being done, I knew it was important to keep the pressure up on achieving swift and fair compensation for postmasters. It was something I spoke to Mr Read about regularly, emphasising we needed to go faster and to be more generous (POL Board Meeting Agenda, CEO report, 24 January 2023 **POL00448708**, p.45).

45. Throughout my time at the Post Office, I felt the tone of my colleagues could be unsympathetic to postmaster claimants. By way of example, the Board minutes from my time as chairman record the following:

- a) At my first Board meeting on 6 December 2022, there was a discussion regarding postmaster repayments for unreconciled losses. We were told there were some 77 postmasters who were currently repaying

unreconciled balances, despite advice that continuing to accept repayment where cases had not been investigated was a breach of an implied term in postmasters' contracts. There was a concern from the Remediation team that if we notified postmasters and requested they pause payments, we may be *"inadvertently stimulating claims against an unfunded position"*. The board rightly felt that we should do what was right and pause repayments, but the fact that this was brought up at all indicated to me that the culture of the Remediation team was to try to minimise claims. (Minutes of POL Board Meeting on 6 December 2022, **POL00448621**, page 12)

- b) The Board was updated at the 17 August 2023 Board Meeting about the progress of the Historical Shortfall Scheme Fatality Claims process, which related to claims where it was asserted that a postmaster's death had occurred as a result of Horizon shortfalls. The notes show that when asked whether the principles and guidance for this scheme were too narrow in specifying that claims had to be Horizon-related, Mr Tidswell, chair of the Remediation Committee said that *"we needed to be very careful about setting estate claim parameters and expectations"*. That remark was representative of the focus being more on managing costs than doing right by postmasters and their families – even in these extreme and upsetting circumstances where the Post Office's conduct was being linked to the deaths of postmasters. Moreover, head of Legal Mr Foat said that postmasters were not employees, so the same duty of care did not apply to them. I recall

saying to Mr Foat after the meeting that, after all that happened to wronged postmasters, regardless of the technical legal position, I thought for moral (and many other) reasons we should proceed on the basis that we owed postmasters the same duty of care if not more (Minutes of POL Board Meeting on 17 August 2023POL00448716, page 3).

46. While I wanted every compensation scheme to move faster, the Historical Shortfall Scheme (HSS) – the scheme designed for sub-postmasters who were not convicted nor were part of the Group Litigation Order – did seem to be progressing at a reasonable rate and to the satisfaction of the government. At the time that I joined the Post Office in December 2022, 95% of offers had been issued under the HSS scheme, and 88% of those had been accepted. We received regular updates from the remediation team and the CEO to the Board, which meant that we could continue to keep an eye on progress. For example, by the end of March 2023 97% of outcomes had been issued (POL Board Report “Postmaster Remuneration increases for 2023/2024” 28 March 2023, **POL00448710**). Rightly ambitious targets were set, for example for 95% of outcomes to be issued to late applicants received before 31 March 2023 by December 2023. I was, however, aware of criticism of the Consequential Loss Guidance provided in relation to HSS, which has been rightly criticised at the Inquiry for not giving postmasters sufficient information to make a claim.

47. The scheme for overturned historic convictions (OHC) was moving rather less quickly. For example, the board was updated in July that OHC “*was not progressing swiftly*”, partly because potential claimants wanted to see the finalised pecuniary principles first, and partly because of “*administrative errors*”. (Minutes of POL Board Meeting July 2023, **POL00448717**, p.3-4).
48. Historical convictions were where I had the most concerns, especially the lack of emphasis on exoneration. The Board was updated on 24 January 2023 that the triage process designed to look at material the Post Office had that may make a Horizon case eligible for review had not yet completed its review. Of the 552 cases to be reviewed, at that stage only 12% of cases had been identified as cases the Post Office might concede. Given all Post Office accounts relied on Horizon, I was surprised that the figure was so low. At that stage, wholesale exoneration was not on the table. (POL Board Report – “Historical Matters Programme Update” 24 January 2023, **POL00448709**, p.54)
49. At the 24 January 2023 board meeting (Partial minutes of January Board meeting, **POL00448713**; and Meeting minutes – Board of Directors POL, **POL00448620**), we received an update from Post Office’s counsel to the Inquiry, Kate Gallafent KC. I made a point of asking her why more Postmasters had not come forward seeking to overturn their convictions. Her response was measured and reasonable – that while some may not come forward because they were genuinely guilty, there were other potential reasons that, namely: (i) the postmasters had put the matter behind them; (ii)

they were too traumatised to approach the Post Office. As Mr Cameron noted at that meeting, at that time for every appeal that was granted two were being turned down, which likely had the effect of putting potential applicants off. However, the Board's Senior Independent Director, Mr Tidswell, voiced rather less sympathetic view, that *"if Postmasters thought their conviction could be overturned then they may have already come forward"*. He later said that *"the Company had a duty to ensure that people who were guilty remained guilty"*. Even as late as the 28 November 2023 Board Meeting, the Remediation executive was still reporting some 333 cases where they thought the conviction did not appear unsafe. I have to say, I found that apparent view that the majority of subpostmasters were "guilty as charged", and the implication that we should not be doing more to encourage people to come forward, to be utterly wrong. It was nonetheless a view held by senior management at the Post Office, and in particular by its legal team. My sense was that the Post Office still struggled to accept the unreliability of Horizon, which explained their approach both to convicted postmasters and other cases (Minutes of POL Board Meeting, 28 November 2023) **POL00448614** -, p.7-9) For example, I was shocked to learn on joining the Post Office that while Horizon data was considered too unreliable for criminal cases, it was still being relied upon in ongoing suspensions and disciplinary matters.

50. By September 2023, the Secretary of State had announced additional funding such that the Post Office could make an up-front offer of £600,000 to postmasters whose convictions had been overturned. At the Board meeting on 31 October 2023 I queried the slow response rate to the offer, as I was

keen to get things moving as quickly as possible. The upfront £600,000 offer was a positive step, but I did say to the CEO – and I still feel today – that the sum could be even more generous given how much people's lives had been ruined. I suggested a figure of £1million (which I later reiterated in a letter to the chair of the Business Select Committee). It was argued that this would be too generous for the taxpayer. But I felt that the British public would be supportive and wouldn't want the government or Post Office to be tight-fisted on this matter.

EARLY GOVERNANCE ISSUES: CEO PAY AND OTHER REMUNERATION

51. Even before I had the opportunity to speak with the Department for Business about the Post Office's strategic priorities, and indeed before I officially stepped into the role of chairman, I was drawn into the matter of the CEO's dissatisfaction with his pay. Quite aside from the other priorities facing the business, I was to learn early on that a key priority for the CEO, Mr Read, was his own remuneration. I should say at the outset that I recognise that the issue of executive pay is a distraction from the Inquiry's main area of concern, which is justice for the postmasters – and I would agree. However, it may be helpful to address the various issues that were distracting senior management at the time of my chairmanship, to provide some context to the culture at the top levels of the business in which decisions about historical injustices and future remediation were being made.
52. During my time shadowing the chairman role in the Autumn of 2022, I was appraised of the history of pay discussions involving the CEO and the failure

to have a contingency plan for a potential successor to Mr Read from within the management. Letters had been sent by the previous chairman Mr Parker to Paul Scully, former Post Office minister, and Mr Kwarteng, then Business Secretary, the previous year, requesting increased reward and retention payments for Mr Read. Those requests were declined by ministers, who cited concerns over the Inquiry and the context of the public sector pay freeze. His existing remuneration package was already amongst the highest in the public sector. It fell to me, as the new chairman, to try again. The Interim Chief People Officer (CPO), Angela Williams, presented me with a letter to send to Mr Shapps, the new Business Secretary. I considered that the appropriate person, if any, to send such a letter was the Remuneration Committee chair. However, Mr Read thought that it would carry more weight if the letter were to come from me especially as the previous letter was from the previous Chairman. I therefore signed and sent the letter on 11 November 2022 (Letter from Henry Staunton to Grant Shapps dated 11 November 2022, **POL00448680**).

53. The letter noted that the CEO's current maximum compensation was £788,500, and requested an increase to a total of £1,125,180 should Mr Read achieve target performance. I explained the risk that, if Mr Read were to resign, there was no suitable internal replacement. This was a very real risk from my perspective at the time: I had not yet begun my term as chairman and it would have been very destabilising to the business to lose the CEO. However, I recognised that this was a public sector environment. I had my

doubts that ministers would change their minds and be prepared to up Mr Read's pay.

54. I was due to meet Mr Shapps on 10 January 2023. I wanted a more rounded picture of the state of the business (three-year plans and so on) and management's contribution and asked the new CPO, Ms Davies, to gather the requisite information. She prepared notes for me to use in that conversation and she included comments Mr Read had made to her that the business would be "*rudderless*" without him, that his current bonus is "*frankly intolerable*" and the lack of bonus scheme in place for financial year 2022/23 was "*reckless*" ("Request for approval to retain and seek an increase in remuneration for Nick Read CEO Post Office Ltd", **POL00448675**). Mr Read had made corresponding comments in an email to Ms Davies on 16 December 2022, in which he said amongst other things, "*the bonus situation is intolerable*" and "*No reward, no incentive nor retention scheme...frankly, this feels reckless*" ("RE: 2022-11-11 POL CEO remuneration_HENRY NOTES v1 Grant Shapps v1 – CONFIDENTIAL" 16 December 2023, **WITN11410101**). Ms Davies reported those comments back to me at the time.
55. There were numerous times in December 2022 and January 2023 when, just as I was settling into my new role and assessing strategic priorities, Mr Read raised his remuneration with either me or the Chief People Officer (who would then inform me). Just before Christmas 2022, Mr Read came into my office and threatened to resign with immediate effect over his pay. I remember the moment well: I was about to leave the office but I took my coat off so that I

could discuss his potential resignation there and then. It was a huge concern to me as I had only just been appointed Chair and I was not clear about the management bench strength below him should he leave immediately. I asked him to give me some time to sort out his pay. Following this, I remember contacting the CPO almost immediately to brief her, and to request that she provide me with a succession planning update in the new year.

56. When I met with Mr Shapps in January, he was clear that our proposal would not be entertained by government. When I reported that back Mr Read did not respond well. He was very despondent and said he felt let down. This came at a time when he was frustrated about a number of matters – the approach taken by the UKGI non-executive director on the board (which I address further below), surprise costs in the Horizon replacement programme, and the way in which non-executive directors operated, among other things.
57. Mr Shapps had left the door slightly ajar, and given Mr Read's suggestion that he might raise a grievance or resign over his pay, I called a meeting with Mr Cooper (UKGI member of the Board), Lisa Harrington (the Remuneration Committee chair) and Ms Davies, the CPO on 11 January 2023. Mr Cooper suggested a retention plan rather than a bonus and we agreed a figure of £50,000. We put this to Mr Read but Ms Davies reported back to me on 13 January 2023 that he had responded badly. He told Ms Davies he thought the proposal on his pay was "*insulting/risible*" and indicated that he was considering a formal grievance and/or resigning (Email: "RE: CONFIDENTIAL: CEO pay rise" 8 March 2023, **POL00448682**).

58. Ms Davies and I exchanged emails over that weekend, and on Sunday 15 January I spoke to Mr Read myself. He was threatening to leave and I tried to placate him. I told him I would speak to Mr Cooper again and asked him to hold fire on any rash decisions. I held a meeting with Ms Davies, Mr Cooper and Ms Harrington on Monday 16 January to relay my Sunday evening call with Mr Read and outline his threats to resign. Mr Cooper took these threats seriously and said he would take the matter away and discuss it with Whitehall, which was relayed to Mr Read.
59. Mr Read grew impatient. Ms Davies shared with me a message he sent her on a Sunday, 22 January 2023, saying: "Jane, This situation has now moved beyond a Sunday evening chat. My patience has expired. There has been no progress since we discussed the matter over Teams on 13/01. You have now forced me to seek advice, which I have done this weekend. I think you and Henry have some urgent thinking to do or, to quote Henry, 'we will end up in a real self-made mess'. Nick" (Email: "Re: Nick" 23 January 2023, **POL00448677**). I understood the reference to seeking advice referred to legal advice, and therefore to be an implied threat of legal action.
60. The three of us (the CPO, the CEO and myself) met on Monday 23 January 2023 to discuss the issue. Ms Davies took a note of that meeting, which matches my recollection (Text message from Nick Read to Jane Davies & notes of meeting between Nick Read, Henry Staunton and Jane Davies, **WITN11410102**). The language used by Mr Read in that meeting was stark. *"Do I want drama 'no' I do not, I am prepared to make a drama 'Yes' I am,"*

the note records him saying. He said he was prepared to submit “*a formal grievance and or make a claim for constructive dismissal*”. I asked him about what it would take to keep him. His expectations were high – a 10% pay rise, an increase in his bonus to 50%, and a meaningful retention award to 31 December 2023.

61. The next day, 24 January 2023, I met unofficially with the members of the RemCo with the CPO present in an urgent meeting to ask for their approval for Mr Read’s pay demands. In attendance were Mr Tidswell, Mr Gaunt, Mr Cooper, Ms Harrington and Ms Davies. The CPO ran through Mr Read’s demands, reading from her notes of the meeting the day before, and highlighted his threats to leave. Mr Cooper was sceptical that the package would be acceptable, but the rest of the non-executive directors were supportive. With the group’s approval, I took a lower proposal on an increase to the CEO’s pay and bonus to the Secretary of State via UKGI’s Chief Executive, Charles Donald and Director General, David Bickerton when I met with them the next day (25 January 2023). Again at that meeting Ms Davies read out the notes of our meeting with Mr Read, including his threats to resign and claim constructive dismissal, and the pay package Mr Read was seeking. As I suspected, Mr Read’s pay demand was rejected the same day. Instead, the government’s offer on pay was a 5% salary increase (aligned with workforce pay) and approval of payment of a disputed bonus payment from the previous year, which was itself a significant concession from government (Email: ““BEIS / UKGI response” 25 January 2023, **POL00448678**).

62. There was some delay in getting the pay deal through government and Post Office systems. On 22 March 2023, Mr Read requested an urgent meeting with me and Ms Davies. He was very frustrated about the delay to his pay increase being agreed and threatened again to submit a grievance (a point Ms Davies recorded in an email to UKGI the same day) (Email: "RE: SoS sign off – POL STIP 2022/23" 22 March 2023 **POL00448683**). He was angry that his bonus plan for the current financial year had not been confirmed and once again threatened that if this was not sorted he would resign and claim constructive dismissal. He said that no one understood the pressure he was under, he had no support on the board, was holding the ship together on his own and his pay should reflect that.
63. On 21 April 2023, Mr Hollinrake wrote to me to confirm that Mr Read would receive a 5% pay rise, backdated to 1 April 2022, but that no further pay rise would be considered. He also referred to the decision already made by Mr Shapps in January 2023 to retrospectively approve the bonus paid to Mr Read for financial year 2021/2022. He rightly shot a warning that there should be *"no further miscommunication"* between the Post Office and the shareholder regarding pay requests and approvals. Mr Hollinrake pointed to the *"challenging climate for significant pay increases in the public sector, especially in the context of the Budget, cost-of-living pressures and widespread disquiet around postmaster remuneration"* (Letter from Kevin Hollinrake to Henry Staunton, 21 April 2023, **POL00448706**). It was clear no further pay rise would be forthcoming.

64. This brought to a close – for the time being – what had been an extremely time-consuming matter in my first few months of chairmanship. In all my non-executive appointments, I have never had to grapple with pay demands, bonus governance issues and threats of resignation to the extent I had to at the Post Office. It did not sit comfortably with me in the context of postmasters' net income going backwards at the time (not to speak of the others whose lives had been ruined as a result of the Horizon scandal). As I had said to Ms Munby, in the previous year half of all Post Offices were either loss making or earning less than £5,000 profit. In a recent update to the Board on 28 March 2023, we had been told that postmaster profitability was set to fall by around £29 million in 2023/24, which equated to a drop of around £5,000 in margins for a typical Mains Post Office branch and of £2,000 for a typical local branch. As a result, we were facing a very real retention challenge with our postmasters. That is the issue I wanted to be focusing on instead of executive pay. The focus on pay meant that there was less time to focus on the key issues facing the business, particularly the cost base and the need to increase the take of the current postmasters.

65. As long as I was at the Post Office, the issue of Mr Read's pay never entirely went away. I was always conscious of the importance of stability at a senior level. With no succession plan, it would have been potentially catastrophic to lose our CEO. I was, on the whole, supportive of the job Mr Read was doing in extremely challenging circumstances. In the context of Mr Read's threats to

leave I felt obliged to do what I could to convey his requests for higher remuneration. It was for similar reasons that I chose to grade Mr Read as a “five” (the top score) when asked to review his performance (which affected remuneration) as I thought it was important to motivate him and to keep him in the business at a time of crisis. I knew that my predecessor had given Mr Read a grade five and did not think it would be helpful to downgrade him. In December 2023, Mr Read once again told me he felt he was being treated unfairly with his remuneration and threatened to resign. I reported this back to the UKGI non-executive director, Lorna Gratton. Unsurprisingly, she was unsympathetic to Mr Read’s demands.

66. As further context to Mr Read’s pay demands, the ever-present issue of executive remuneration was not only a problem in that it was an unhelpful distraction, but also because it shone a light on historical governance issues:

- a) In my time as chairman, the business was dealing with controversy over a bonus scheme (“TIS”) that rewarded executives for cooperating with the statutory Horizon Inquiry. The terms of that bonus scheme had been formulated before my time at the Post Office, but unravelled during my time as chairman. It was evidently wrong that executives should be rewarded for complying with the statutory Inquiry, when of course they were obliged to do so anyway. I should say that in this matter, Mr Read was prepared to repay this element of his bonus and accepted this was the right course of action.

- b) I had to deal with the issue of the disputed 2021/22 bonus for Mr Read that I refer to above. We were in a position of asking for retrospective approval from the shareholder for a bonus that had already been paid out, when the business should have obtained the approval beforehand. I was left to pick up the pieces. The issue here was that a “multiplier” was applied to Mr Read’s bonus to uplift the overall amount, but it was unclear whether that multiplier should have been applied to the whole or just that part of the bonus that related to personal objectives. The shareholder felt, not unreasonably, that the unapproved element should be repaid. It was time-consuming for me to negotiate approval of the full bonus (which the government was most unhappy to do) on joining the Post Office, but I felt I had to push for it for the reasons I explain above.
- c) I know from discussions with the then chair of the Remuneration Committee, Ms Harrington, that this was a committee that was not functioning well when I joined the Post Office. Ms Harrington was deeply frustrated by the poor information flows and the payment of bonuses which were not approved and the constant demands for extra remuneration by the CEO. She was displeased with the lack of due process by management in relation to the “multiplier” issue described above. Ms Davies had also commented on the poor governance arrangements she inherited.

EARLY GOVERNANCE ISSUES: EXITING NON-EXECUTIVE DIRECTORS

67. Another item in my in-tray on beginning my chairmanship was the departure of three non-executive directors from the Board. Soon after I joined, three women left the board: Ms Harrington, Carla Stent and Zarin Patel. Only one had served a full three terms and, accordingly, I was alert to a possible governance issue. I commissioned exit interviews by a third party (NED Exit Interviews, **POL00448681**). Via the exit interviews, a number of concerns were raised:
- a) That the board lacked real decision-making powers and can feel “like a puppet Board”, as it just “rubber stamps” decisions made elsewhere and is not properly listened to;
 - b) Doubts about the calibre of the team at executive level, with particular criticism raised about the CFO, Mr Cameron, who was said to have an “aggressive style” that had “forced out” a number of women in his team and non-executives; and
 - c) That levels of respect and trust within the general executive (including between Mr Read and Mr Cameron) and also between the Board and general executive were a barrier to success.
68. Evidently, there was considerable work to be done to improve the morale and effectiveness of the Board. I accordingly determined that in my time as chairman, I would work to ensure every Board member felt they had an equal

vote and that there would be no perception or reality of it being a “puppet”

Board. Whether I achieved that will be for others to determine.

69. Another issue that came to my attention early on was that my fellow non-executive directors were unhappy with the power wielded by the UKGI non-executive director, who at the time was Mr Cooper. The view expressed to me was that it felt like Mr Cooper had ten votes to every one vote of the rest of the directors. That is, that there was an unreasonable concentration of power in the UKGI director and that he had too great a sway over decision-making.
70. With regard to the concerns about the UKGI non-executive director, I was conscious of the comments from my fellow non-executive directors and also from Mr Read, who wanted Mr Cooper to be removed. Mr Read felt that Mr Cooper chipped away at decisions and over-scrutinised the executive (in particular, his own pay as CEO, as recorded in Ms Davies’ note of our meeting on 23 January 2024). He expressed to me that Mr Cooper had set a precedent of non-executive directors attempting to play executive roles, which caused confusion. In an email on 23 December 2022 he said that Mr Cooper was not fulfilling his role, *“which is to act as an interface between the company and government and to act as a ‘cheerleader’ for what we do and the value we play in society”* (Email: “Tom Cooper: Strictly Private and Confidential” dated 23 December 2022, POL00448676).
71. I recognised that removing Mr Cooper would be difficult and could not happen immediately, but I felt it was the right thing to do to ensure we had a unified Board working together to tackle the Post Office’s issues. Having only just

become chairman at this stage, and for the reasons set out above, I felt I needed to keep Mr Read on board and engaged. I told Mr Read that it might take a few months to resolve. Mr Cooper left the Board in April 2023 and was replaced by his UKGI colleague, Lorna Gratton.

72. I continued to do what I could to maintain the Board's independence and ensure decision-making was not dictated by the shareholder. For example, when we were visited by Mr Bickerton and Mr Donald of UKGI at the Board Meeting on 11 July 2023, I made a point of saying that we must not get into a situation where every major decision was taken by the Shareholder, and that the Board must be allowed to function without undue interference. I made these comments at the request of my fellow non-executive directors and the CEO, Mr Read.
73. As I have already stated, these matters of non-executive politics may seem – and indeed are – insignificant compared to the plight of postmasters. However, from my perspective as chairman overseeing the board and reviewing the work of the general executive, I knew how important it was to have effective and cohesive governance at the top of the organisation, without which redress and remediation for postmasters would be held back. The Board that I joined was not in sufficiently good shape to be able to tackle these important challenges.

SENIOR MANAGEMENT CLASHES

74. Another issue that hampered the performance of the Post Office's executive was the unusual number of people issues arising at a senior level.
75. I have already mentioned above some negative views among non-executive directors and Mr Read about the CFO, Mr Cameron. Mr Read and Mr Cameron did not have a good working relationship. At a meeting on 22 March 2023 with me and the CPO, Mr Read accused Mr Cameron of being disruptive and undermining him at meetings, although I should say that this is not something I witnessed myself. Like the exiting non-executive directors, Mr Read felt Mr Cameron was aggressive towards colleagues. At the same March 2023 meeting, Mr Read even said that he was not prepared to continue working at the Post Office while Mr Cameron was there. Meanwhile, the CPO, Ms Davies, informed me that Mr Cameron had told her he felt it was impossible to work with Mr Read and his mental health was suffering. Mr Read wanted the support of the government to pay Mr Cameron off. That was something Ms Davies and I tried to achieve, although there was resistance from UKGI to offering Mr Cameron anything more than his statutory entitlement. In the end, Mr Cameron went on long-term sick leave and I understand only recently left the business.
76. During my time at the Post Office I was also aware at a high level of unhappiness amongst a number of the company's senior women. Other than Ms Davies all the senior executives were men and I said to Mr Read that this was unacceptable. As I show below there was a pattern that appeared to

show senior women not being supported in challenging roles. Ms Davies had told me she had raised the issue of the “psychological safety” of women in the organisation directly with Mr Read, but he was not prepared to take any action. My role was not to manage operational matters, and therefore my knowledge of these points is peripheral, however I know that the following women raised concerns:

- a) **GRO**, who held a senior role as retail transformation director, with responsibility for implementing new systems across the Post Office network as part of the Horizon replacement project. **GRO** told me that she felt unsupported by Mr Read. Mr Read complained to me that she was too opinionated and too hard-driving. I thought her drive was something that was needed to push the project along but I could not persuade Mr Read that her huge positives outweighed any concerns. I was informed that **GRO** broke down in tears in Ms Davies’ office complaining of bullying. I also heard from others that **GRO** had been excluded from the business after raising a whistleblowing complaint that had been passed to the Central Investigations Team. I was not involved at all in managing **GRO**’s complaint, so I cannot comment on the credence of the matters raised, but I did raise with Mr Read my concerns about our “top performers” being excluded from the office when they raised complaints which made it difficult for them to return to the business. In the end **GRO** left having only been in her retail transformation

role for a short period, which I felt was an unfortunate loss to the company.

- b) Kathryn Sherratt, who took on the role of interim CFO in Mr Cameron's absence. I know that she felt unsupported and in my view she was set up for failure. She was given far too wide a remit for a person newly appointed to the role, including the responsibility to reduce costs which I thought should be shared with the CEO. As a previous CFO myself I know that without the CEO's active participation a cost reduction programme will not succeed.
- c) Diane Wills, who was a very capable member of our legal team who went on to be the Post Office's Inquiry Director. I understand that Ms Wills raised a complaint against the legal director, Ben Foat. Ms Wills was only prepared to stay with the business if she did not have to report to Mr Foat. I too was concerned about Mr Foat's performance (which I address elsewhere in this statement) and voiced those concerns to Mr Read on multiple occasions, including at a private meeting on 27 April ahead of the postmaster conference in Birmingham, which was also attended by the CPO Ms Davies. I said I thought the Inquiry should be removed from Mr Foat's responsibilities. This did indeed happen, with Ms Wills replacing Mr Foat in the Inquiry role. I was sorry to learn that she too is due to leave the Post Office.

- d) Juliet Lang, a senior member of the HR team, raised a formal grievance about IT staff being taken on as contractors and the potential governance issue that gave rise to. She left the company not long after.
- e) Ms Davies, the CPO. Ms Davies was the fifth CPO (all women) during Mr Read's tenure, which gave me some concern about his ability to retain female talent. She joined POL at the same time as me and we worked closely together in the first two months in relation to Mr Read's remuneration, as I describe in this statement. She was very open with me about her experiences. She had expressed concerns over the 'job for the boys' mentality within Mr Read's team, as well as expressing concerns over the governance and compliance of the Remuneration Committee decisions, which I also acknowledged, but felt would be resolved with a new RemCo Chair joining. Ms Davies told me her own department had severe morale issues and had the worst engagement scores in POL.
- f) Ms Davies was put through a long investigatory process herself after complaints made by members of her team. However, Ms Davies expressed the view to me that she was being "reverse bullied" by those below her in the organisation, and she did not feel supported by Mr Read. In May 2023 I received a complaint from Ms Davies, which she told me she had also sent to Mr Read and Mr Foat (Letter from Jane Davies to Henry Staunton, enclosing letter from Mills & Reeve LLP to Nick Read, 23 March 2023 **POL00448687**). The complaint alleged that

she had raised issues of poor management, culture and compliance and had been treated less favourably as a result. I was concerned by those complaints and was conscious that Ms Davies may be vulnerable because we had not achieved the increases in pay Mr Read had sought. Initially, I did not perceive Mr Read's conduct toward Ms Davies as bullying, but as time passed I began to become more concerned about the manner in which he treated her and excluded her from meetings, which I found disrespectful. However, as chairman it was not my role to become involved in operational matters and therefore I left the complaints process to be dealt with by management. It was also important that I did not interfere in these processes, as I knew that there was a possibility I could be called upon for example to manage an appeal in the future.

Ms Davies went on sick leave in May 2023 with stress and anxiety. In June, Mr Read decided not to keep Ms Davies on beyond her probation period. I remember him saying that she was "missing in action" and was not culturally suitable. I found this worrying, as it was not in line with my opinions. Ms Davies later raised a Speak Up complaint predominantly about Mr Read, accusing him of bullying and discrimination. I address the fall-out from that complaint later in my statement.

77. These issues naturally led me to question whether we were doing all we could to keep our brightest and best. The attrition rate among senior female staff

was alarmingly high, and I was concerned that they were not being sufficiently supported. Whilst it was my responsibility as Chairman to do what I could to support the Chief Executive and the management team, I became increasingly uneasy about an accumulation of evidence of issues stemming from the top. There also seemed to be a culture of lengthy investigations of both senior staff and postmasters (which I address later in my statement), which led me to question whether, far from having dealt with the culture and suspicion towards postmasters which lay at the heart of the Horizon scandal, there was still a pervasive problem in that respect.

STAFF SATISFACTION

78. I have focused thus far on the experience of senior individuals in the company and the cultural issues at the top of the organisation. I focus on those points because those are the matters to which I had the most direct exposure. However, I was also all too aware of cultural challenges throughout the organisation.
79. On 27 April 2023, Ms Davies presented some figures from the most recent engagement survey at the employee staff conference. While there were some positives, the negative feedback was summarised as *“bureaucratic, fragmented and inefficient”*. Only 39% of those who responded had confidence in senior leadership and the same percentage felt that senior leaders lead by example (Engagement Survey Presentation presented at Staff Conference (27/04/2023) – “Overall results & themes”, Slide 100 of **POL00448707**). A remarkable 70% of our people reported feeling under

constant strain, bureaucracy and inefficiency. The results highlighted leadership behaviours that needed to change. Ms Davies told me that Mr Read had asked one of her team members (Ms Lang) to amend her presentation for the staff conference to “tone down” and remove the content on the issues with leadership behaviours, as Mr Read felt uncomfortable.

80. I had pushed for a full copy of the staff engagement survey results, but did not receive this from the CEO until July 2023. The document contained yet more stark statistics. I was particularly struck by the results for the senior leadership team. The report said that those senior leaders experience “fewer positive cultural elements than average” and when asked to describe the Post Office’s culture were more likely to choose words such as, “hierarchical, political, overly risk averse, convoluted and fearful”. (Staff Engagement Survey – “Post Office has a respectful, friendly and supportive culture, with pockets of bureaucracy, fragmentation and inefficiency” **POL00448635** page 13) That reinforced my impression that we had a real problem with culture at the top of the organisation.
81. Similar messaging had come out from our annual board evaluation earlier that year. The results showed that board members felt the business was risk averse, with one commenting that management “*need to feel they can make decisions without looking over their shoulder at the possible ramifications should they make an error of judgment*” (POL Board Report – “Board Evaluation Report 2022/23” 28 March 2023, **POL00447866**). That view was echoed in the CEO’s update to the Board on 6 June 2023, in which his

language was striking: *"A fragile and brittle business is creaking. Morale is being severely tested. A culture of fear is developing. It is this final point that we should be especially concerned about. Colleagues are fearful of putting their heads above the parapet, of taking risks and soon, of admitting mistakes. Risk aversion and paralysis is setting in, which will not help our commitment to transparency"*. (POL Board Meeting, CEO Report, 6 June 2023,

POL00448712 p.37) Mr Read's summary was a fair reflection of the position and we were agreed on this point, that there was an issue which needed tackling. As my later experiences with the business, which this statement will go on to describe, demonstrate, there was a culture of constant investigation (and the resulting sense of inquisition hanging over people's heads, at times for long periods), which did not help morale.

82. Similar statistics were reported in the postmaster survey that the CEO reported back to the Board on 6 June 2023. The results were eye-opening. Only 34% of postmaster respondents felt like a valued and equal business partner (down from 43% the year before), and only 40% felt well supported by the Post Office (down from 54%). Moreover, we were performing badly on trust metrics. There was a 12% reduction in the number who felt the Post Office was genuinely trying to improve the relationship, and a 9% reduction in those who felt that the business interacted in a purposeful and engaged way. Evidently, we were going backwards in our relationship with postmasters. (POL Board Meeting, CEO Report, 6 June 2023, **POL00448711** p.41). Although the results came out after my time at the Post Office, I understand

that the April 2024 survey showed the relationship between postmasters and the company continued to decline.

**ATTITUDE TOWARDS POSTMASTERS AND INVESTIGATION OF
POSTMASTER DIRECTORS**

83. One hugely positive development in the culture of senior leadership that had been implemented before I became chairman was to have two active postmasters on the Board as non-executive directors. These were Saf Ismail, who operates Post Offices in the northwest of England, and Elliot Jacobs, whose Post Offices are in London and Hertfordshire. It was a great benefit to the Board to have their direct operational experience. However, from speaking to them directly I was aware that they sometimes felt like “second class citizens” on the Board, whose voices were not taken as seriously by management as others. They felt discriminated against in the sense that they were not listened to or respected in the same way as other non-executive directors. For example, they were excluded from committees such as the Remuneration Committee (which I knew Mr Read did not want them to be on, because he thought they would take an “uncommercial” approach to pay).
84. What is more, in a situation I found utterly unconscionable, both Mr Ismail and Mr Jacobs were subject to investigations themselves during my time on the Board (see below). The process was very poorly handled and showed the Post Office still had some way to go in correcting the poor culture of resorting to heavy-handed investigations as the kneejerk reaction to any issue. If we could not even treat our non-executive director postmasters with respect and

openness in such a situation, it raised questions about how the general postmaster populations were treated. I could not but wonder if the investigations into the postmaster non-executive directors were because they had been critical about the Post Office's culture, and that was also why it was left open for months, seemingly being held over their heads deliberately.

85. The investigations related to discrepancies in the postmasters' trading accounts. In my long experience in business, particularly in retail, these sorts of thing are not at all uncommon and can be resolved through a simple process of reconciliation with intercompany accounts. I felt in Mr Jacobs and Mr Ismail's cases, a mountain had been made out of a molehill by bringing in the Post Office's investigations team to institute lengthy and bureaucratic inquiries into the issues. I was astounded by how little seemed to have been learned from past experience of investigating postmasters.
86. The situation with Mr Jacobs was the more involved of the two. On 23 January 2023 I was informed by Mr Foat, who led the legal function and the investigations team, of a plan to send auditors to pay an unannounced audit to all seven of Mr Jacobs' Post Office branches and to invite him to an investigation interview. Initially I said I was happy with the proposed action, because I understood it was standard procedure and trusted the legal function to be handling these things properly. However, on reflection I felt that we should not be rash in launching into an investigation. As Mr Read said at the time, this was not a "*normal situation*" with Mr Jacobs being a board director, and it did not sit well with our discussions of culture at board meetings to then

“spring an unannounced audit” on one of our own non-executive directors. I agreed that it was a *“delicate situation”* and asked for a *“forensic briefing”* if the audit were to proceed, because I was unaware of the reasons for the investigation and the evidence currently available. I was keen that the Post Office did not repeat the mistakes of its past.

87. Despite those reservations, the Post Office’s investigation team was commissioned by Mr Foat to investigate Mr Jacobs’ contract to run Post Office branches and whether he was suitable to remain a non-executive director. I could not understand why this was the course of action rather than having an open dialogue with Mr Jacobs.
88. In Mr Jacobs’ case, the difference on the intercompany account was in the region of £200,000 (Email: “RE: PM NED matter” 1 March 2023 **POL00448679**). Although this may sound like a large number, it was across seven premises and over a period of at least four years. I was also conscious of the ongoing use of the Horizon system which had of course proved to be extremely unreliable in its branch accounting. I was informed that Mr Jacobs had made a commitment to resolve any established discrepancies on the account (Email: Fwd: Discrepancies in postmaster branches – IN CONFIDENCE” 29 April 2023, **POL00448684** and Email: “Commitment” 28 April 2023, **POL00448685**). In fact, as I explain below, the proven amount proved to be much lower than the initial figure I was told about. In Mr Ismail’s case, the initial figure under consideration by the legal team was even

smaller, just £32,000, of which he was eventually required to repay only £26,558.46.

89. When I saw the investigation report into Mr Jacobs' position as a director on 5 February 2023 I was frank with Mr Read that I thought it was dreadful: legalistic and uncommercial (Email: "Fwd: Diary – w/c 1st May 2023" 2 May 2023, **POL00448686**). It focused on the legal position as to whether Mr Jacobs should have made declarations to the board, but not the fundamental matter of whether the sums were genuinely owed to the Post Office.
90. It was not until many months later, in late September that it transpired that only £16,977 of the original alleged circa £200,000 figure had been found to be an established loss that could be recoverable from Mr Jacobs. This was truly a negligible figure in the context of the over £1million of funds handled by his branches per week (Email: "Fwd: Project Venus – Privileged and Confidential – Draft Note of Advice" 24 September 2023, **POL00448691**). The business was lacking perspective over what were small trading balances. The discrepancy between the original figure and the amount that could actually be established I also saw as an indication of the ongoing unreliability of the Horizon system.
91. Given the history of unduly harsh investigations into postmaster shortfalls, I thought the handling of this matter showed a real lack of judgment. It also revealed a surviving inclination in the legal team to "over-investigate" every matter rather than deal with matters openly and transparently via dialogue with postmasters. I told Mr Read that I did not think the Inquiry would look

kindly on the Post Office taking this matter any further with Mr Jacobs. To give him his credit, Mr Read agreed with me that the matter should not be taken any further and should be brought to a conclusion quickly. In the end it took until the end of October (Email: "Project Venus" 27 October 2023 **POL00448692**) for the legal team to close the matter and much later for the postmasters involved to be informed that it was resolved.

92. Mr Foat and his legal team seemed overly concerned about whether Mr Jacobs and Mr Ismail should have declared conflicts of interest in relation to their non-executive director roles and the debt they owed the company, and whether the trading balance discrepancies were undisclosed bans to directors and/or needed to be declared in the company accounts. From my perspective, I did not consider this to be a big issue. I felt the conflicts were obvious and acknowledged: it was, of course, well-known that they were both postmasters (indeed, that was the whole point of having them on the board) and therefore there may be conflicts arising from their day-to-day running of Post Office branches. To my mind, that encompassed the risk of occasional discrepancies arising in a trading account, which is quite normal in any retail business. Mr Jacobs and Mr Ismail deeply resented the accusation that they had an undisclosed conflict of interest. They felt that view showed the Post Office has not changed, that it was acting like the "old Post Office" with a view from senior management that all postmasters are "crooks" (Email: "Re: Project Venus" **POL00448695**). They came to me on 24 November 2023 and told me how upset they were over the way things had been handled and how their personal integrity was being questioned.

93. I voiced those concerns to Simon Jeffreys, non-executive director and chair of the Audit, Risk and Compliance committee. By this stage we were in late November and, like the postmaster non-executive directors, I was frustrated that this matter was still hanging over them. We knew Horizon was a mess with regard to branch accounting and could not be relied on – that was what the Inquiry was about. And yet we were still taking what seemed to me to be an unsympathetic approach to shortfalls in Post Office accounts, which still relied on the Horizon system. I cannot put it better than how I expressed my views to Mr Jeffreys at the time: *“We have an Inquiry for not treating Post Masters fairly. We must have a culture that does not assume that Horizon is right and our Post Master Main Board directors are wrong”* (Email: “Re: Project Venus” 25 November 2023 **POL00448694**). I raised similar concerns directly with Mr Read (Email: “Re: Today” 24 November 2023 **POL00448693**). The debacle left me with very little confidence in Mr Foat and the legal team. I told Mr Read as much. I said someone needed to get a grip on the way Legal operated, and that *“I have never had a Legal Counsel in whose judgement I have so little faith - and I have been on 20 plus PLC Boards”* (Email: “Re: ARA Update – 1/12/2023” 3 December 2023, **POL00448697**).
94. In the event, we were advised that there was no obligation to disclose the trading balances in the accounts. I passed that message on to Mr Jacobs on 2 December 2023, with apologies for the upset to him and Mr Ismail. He thanked me for *“letting common sense prevail”*. I was also tasked with communicating to Mr Jacobs the outcome of the investigation, of which he said he knew nothing. He told me: *“The entire process from start to finish has*

been far from optimal and an experience that feels like a guide to how not to treat postmasters rather than the progressive, lessons learned organisation we are supposed to be working on becoming" (Email: "Re: The Investigation" 02 December 2023, **POL00448696**). It would have been difficult not to agree with that view.

95. I also received negative feedback from Mr Ismail about the culture of the investigations team. He felt that investigations needed to be removed from the remit of Legal, headed by Mr Foat. He said Mr Foat and Legal were still treating postmasters "*as guilty unless proved otherwise*". His suggestion was that postmasters could be involved in investigations, for example with an advisory council of four or five postmasters as the final arbiter. I thought Mr Ismail's feedback was striking and I took a note of it for my own records on 7 December 2023 (Email: "Saf feedback – CONFIDENTIAL" 7 December 2023, **POL00448698**).

SPEAKING UP ON BEHALF OF POSTMASTERS

96. As the Inquiry will be aware, the treatment of postmasters reached the top of the public agenda when the ITV drama *Mr Bates vs The Post Office* aired at the turn of the new year in 2024. Not long afterwards, the story broke that the Post Office's communications director Richard Taylor had said some postmasters caught up in the Horizon scandal had "*downright stole*" the money. Those words came as little surprise to me, given I was by then familiar with the views in the upper echelons of Post Office management that most convicted postmasters were "*guilty as charged*".

97. Now that the case had caught political and media attention in the way it had not before, I was confident that finally justice could start to be done. I wrote to Mr Read on 9 January 2024 to say that things were moving “*very quickly thankfully and in the right direction. A blanket overturning of convictions looks quite possible. As we discussed ten days ago that would be welcome.*” But I noted that the tone coming from Legal was still disconcerting. I had seen a note from Mr Foat that had worried me. Mr Foat had written to various senior people to say that the media was reporting “*erroneous*” facts, for example “*that all convictions are unsafe*” and that we should prepare a “*fact checker*” to use in communications to explain that not all the hundreds of convictions were unsafe, and that legal rules meant the claimant had to bring the appeal and it was not up to the Post Office to overturn the convictions (Email: “RE: Post Office Compensation Bill | Debate Summary” 9 January 2024, **POL00448699**). I felt this was a rigidly legalistic view that struck completely the wrong tone. I warned Mr Read that I thought it would be a mistake if anything came out of the Post Office that looked to be negative or slowing the process (Email: “Fwd: Post Office Compensation Bill | Debate Summary” 9 January 2024, **POL00448700**).
98. Yet Mr Read had expressed essentially the same point in a letter to the Lord Chancellor on 9 January 2024. His letter indicated that there were only 35 potential prosecutions that were potentially appealable and had not yet been resolved. There was a “*very much more significant number*”, he said, where the Post Office “*would be bound to oppose an appeal*”. He put that number at 369, plus another 11 still under review, and a further 132 where the Post

Office could not determine the sufficiency of evidence without more information. Mr Read also enclosed the advice of the Post Office's solicitors Peters & Peters, which said in terms that *"the majority of people who have not yet appealed were, in fact, guilty as charged and were safely convicted"*. The advice said that the recent media and political response was *"based on the false assumption that there are 700 wrongful convictions, therefore there are hundreds of miscarriages of justice still out there whose route to justice is somehow being thwarted by POL and 'the system'."* I was dismayed to read that advice. I could not believe that, with all we knew about how unreliable Horizon was, that the view from our Chief Executive and key advisors remained that the law could not have got it wrong. (Letter from Nick Read to Alex Chalk 9 January 2024 **POL00448381**; Letter from Nick Vamos (Peters & Peters Solicitors LLP) to POL, **POL00448701**).

99. I challenged Mr Read on the language used, saying I was "surprised to read it following our conversations that we would not become involved in any way in what is a very difficult decision for Government and our justice system". I went on: *"You say that we are not making a value judgement but then attach a letter from our lawyers which makes the statement 'It is highly likely that the vast majority (..... of Post Masters) who have not yet appealed were in fact guilty as charged'. If that is not a value judgement I do not know what is. He also makes another value judgement that no one would have a more generous approach than POL - a view I would not share based on my assessment of our past behaviour. A third party would see this letter as Post Office's lawyers 'continuing to defend the indefensible', 'Post Office has not*

changed' etc. That assessment of others would do a huge disservice to the efforts of the current Board and management team as we seek to accelerate justice and generosity for wronged Post Masters." (Email: "Fwd: Documents – confidential and legally privileged" 13 January 2024, **POL00448703**). I stand by what I said then. I thought it was extraordinary that the CEO had decided, without consulting me as chairman or the board, to write such a letter.

100. My view was quite different, and is reflected in a letter I sent myself to the Post Office Minister Mr Hollinrake on 11 January 2024 (Letter from Kevin Hollinrake, **POL00448702**). I thanked him for his role in leading the government's response. I said that I looked forward to continuing to work with him to *"expedite even faster the exoneration and compensation that those wrongly accused deserve"*. I was glad that the ITV drama had caused more victims to come forward, and I was hopeful that this would be the catalyst to see justice done and internal attitudes in the Post Office change. That is why I found Mr Read's own messaging to government so disappointing.
101. It was around this time, on Sunday 14 January, that Mr Jacobs and Mr Ismail phoned me to express their views on the treatment of postmasters. I greatly valued their perspective as postmasters themselves. I took a detailed note of our conversation (Email: "Project Pineapple" 14 January 2024, **POL00448704**) I would encourage the Inquiry to read that note in full, but I summarise their key concerns below:
- a) They felt that the view that postmasters who had not come forward to be exonerated were *"guilty as charged"* persisted and was embedded

“deep in the culture of the organisation”, leading to a view that postmasters are not to be trusted;

- b) Too much power was wielded by Mr Foat and the investigations team, whose starting point is a presumption of postmaster guilt;
- c) That Post Office staff involved in investigations in the Horizon scandal era should go. They pointed in particular to Stephen Bradshaw, the investigator who had been accused of acting like a *“mafia gangster”* and who at an earlier phase of this Inquiry admitted that his style of interviews was *“not nice”*. They also named John Bartlett, whose behaviour they said was *“unacceptable”* (Mr Ismail reported Mr Barlett having come into one of his branches some years ago and saying *“we are closing you down”* – he felt little had changed since);
- d) They criticised Martin Roberts, who ran the network of circa 12,500 postmasters, in particular the lack of feedback from an investigation into Mr Roberts’ alleged inappropriate behaviour and lack of integrity;
- e) The difference between head office pay and benefits compared to postmasters. Postmasters were unhappy at the level of executive bonuses and the generosity of sick leave, when postmasters received none.

102. Their personal views coincided with a press release from the Voice of the Postmaster (the collective group for postmasters) which made a number of

demands as part of a call for *“a complete overhaul of the organisation”*. They asked for:

- a) Justice for former postmasters with compensation as soon as possible;
- b) Action on pay citing no pay increase in real terms since 2015;
- c) The removal of any employees who were employed during the Horizon scandal period;
- d) The removal of Mr Read as CEO;
- e) Involving postmasters in a material way at all levels of Post Office management;
- f) Linking pay and bonuses for Post Office staff with network sustainability and branch profitability;
- g) An overhaul of branch remuneration to provide fair pay.

(Press Release – Voice of the Postmaster (15/01/2024), **POL00448537**)

103. Mr Jacobs and Mr Ismail were worried, quite reasonably, about the potential repercussions on them personally of raising their concerns. It was important that the Board understood these issues and I thought that it was right that I be the person to raise them. I believed that by virtue of my role and seniority I had a degree of protection from potential blowback (an assumption that proved unfortunately mistaken). I wanted to make sure I properly and precisely reflected their views, so I got Mr Ismail and Mr Jacobs' approval

before I passed their comments on to the Board. Mr Ismail suggested also sharing the Voice of the Postmaster press release, which I did. He described my support as *“refreshing to see and much appreciated”*. The praise was rather disheartening, as I felt I was only doing what all those at the top should be doing. I told Mr Ismail, *“I am determined to get it right for existing PMs and past wronged PMs”*. (Email: “RE: Project Pineapple” 15 January 2024, **POL00448302**)

104. I also shared the note with Mr Read to ask him to organise a response. I was horrified that Mr Read went on to share the note with Mr Foat and Mr Roberts – precisely the individuals who had been singled out for criticism by the postmasters (Email: “RE: Future of Post Office branches” 18 January 2024, **POL00448564**). While Mr Read said that this was an accident resulting from the huge pressures on him, and was apologetic, I was worried about the potential consequences for Mr Jacobs and Mr Ismail. I thought it could expose them to further investigations from Mr Foat in the future (Email: “Project Pineapple – STRICTLY CONFIDENTIAL” 18 January 2024, **POL00448301**). Mr Jacobs and Mr Ismail were incandescent that this should have happened, and also rather frightened about the consequences. They both wrote to Mr Read on 18 January 2024 to emphasise the gravity of the situation and the compromising position they had been put in. Mr Jacobs referenced Mr Read having referred to Mr Bartlett, Mr Foat and Mr Roberts as *“untouchable”*, which only served to reinforce his concerns about the power that the investigations team wielded, and his fear of retaliation in the form of further

investigation of his businesses. (Email: "Re: Project Pineapple – STRICTLY CONFIDENTIAL" 18 January 2024, **POL00448383**)

105. Mr Jacobs shared with me a draft email that he intended to send to Mr Read (and I believe he did indeed send, although I was not copied) on 24 January 2024 (Email: "CONFIDENTIAL draft for discussion" 24 January 2024, **WITN11410103**) He confirmed that everything I had included in my note was true and reflected his experience and the feedback of other postmasters. He reiterated that there is a culture embedded in the Post Office that Postmasters are "*guilty*" and "*on the take*" and that the culture will never change whilst Post Office continues to employ 40 plus people (i.e. investigators) who found innocent people guilty. This was a matter the Board had been informed of the previous year, when we were told that the Post Office had recruited into its Historical Matters Unit employees who had previously worked in the auditing, investigation and suspension or termination of postmasters connected to the historic Horizon shortfall cases. Those individuals had been risk assessed on a traffic light scale, with those categorised as "Red" being people who had held senior and/or long-held roles directly related to historic Horizon shortfall cases (of which there were 16 people employed in the Historical Matters Unit).
106. Mr Jacobs added that the "*untouchables*" (Mr Read's words) who work in the investigations department investigate everything and everyone, something Mr Jacobs described as "*not a normal approach to governance and oversight*". I had made the same points to Mr Read previously but to no avail. It was deeply disappointing and alarming that Mr Jacobs felt that "*nothing had*

changed” and the approach to the investigation into his branches, described above, was “*precisely how we treated PMs back in the day*”. It was also troubling to see that Mr Read had suggested to Mr Jacobs that Mr Foat and Mr Roberts may have claims for “*constructive dismissal*” on the basis of the concerns raised by Mr Jacobs and Mr Ismail. While I cannot profess to be an expert in the area, that suggestion seemed baseless to me and a fairly transparent effort to suppress the voice of whistleblowers.

107. I too had heard Mr Read using the term “untouchable” on a number of occasions, including at a private meeting in January 2024, which was attended by all the non-executive directors other than Ms Gratton and Mr Tidswell. By “untouchable” I understood he meant that the people in the investigations team were immune from the consequences of the poor decisions of the Horizon scandal. To my mind, no one was (or should have been) truly “untouchable” and if anything this language betrayed Mr Read’s own reluctance to fire people who had behaved poorly in the past with regard to postmasters.
108. Mr Ismail went on to prepare a note to the Board, which he shared with me, reinforcing his concerns. He noted that, more than a week after his email of 18 January 2024 questioning why the note of our conversation had come to be shared with the very individuals being criticised, Mr Read had still not replied. I felt it was little wonder that Mr Jacobs and Mr Ismail felt like “second class citizens” if they were not given the same attention and courtesy of an

email response from the chief executive as other non-executive directors might expect (Note from Saf Ismail to the POL Board **POL00448714**).

APPOINTMENT OF SENIOR INDEPENDENT DIRECTOR TO BOARD

109. The other issue on my plate at the time of the above developments, was the need to appoint a new Senior Independent Director. As was recommended by the Higgs review in 2003, the Post Office board includes a senior independent director (SID). The SID position is a point of contact for the Chairman, the non-executive directors and also the executive directors. The role of the SID is to be a sounding board for the Chair and act as an intermediary for other directors. A board's SID should have independence of character and judgment, and should not have any conflict of interest. It was and has remained the case that the SID appointment was not the preserve of the shareholder but of the Board and particularly the non-executive directors. It is important to understand the context of what is accepted as good governance and the role of a SID within a properly run Board, particularly as I have been accused, despite my considerable experience on corporate Boards, of flouting basic governance principles.
110. At the time I joined the Post Office, the SID was Mr Tidswell. By late 2023, Mr Tidswell wanted to step aside following a new appointment he was taking up at the Competition and Markets Authority. As a board, we therefore had to decide on his successor (POL Board Report – “Senior Independent Director role” 26 September 2023, **POL00448714**, p.188). I repeat below the explanation of the process that I gave to Liam Byrne, the Chair of the

Business and Trade Select Committee (Letter from Henry Staunton to Liam Byrne dated 15 March 2024, **WITN11410104**).

111. I was contacted early in the process by Mr Donald, the CEO of UKGI, to suggest that the Board consider the benefits of a SID with Whitehall experience. I felt this was a perfectly proper request and I relayed it to the Board. There was some suggestion at Board level that I, as Chair, could make a recommendation on whom I thought was the right candidate for the SID role. However, my previous methodology had been to speak to every director and I told the Board that is how I would proceed. My role as chairman was to ascertain what the view of the Board might be and to ensure it was properly communicated.
112. I contacted each director with the Company Secretary sitting in on all the calls. I was absolutely scrupulous with regard to the process. The voting was split within the Board with four Directors voting for an internal appointment and four voting for an external appointment. I relayed this back to the Board. I recommended that in view of the preference of the shareholder, we should go externally for an individual with Whitehall experience. Head-hunters were appointed on that basis.
113. However, as more and more issues surfaced in the following months, the views of Directors changed. Not least, the ITV drama and the justifiably bad press around the Post Office's former Communications Director's derogatory remarks about postmasters, which I describe above, and Mr Read's letter to the Lord Chancellor attaching the advice that the majority of postmasters were

“guilty as charged”. It was against that backdrop, that I was due to meet with UKGI (the CEO, Mr Donald, and the Chair, Vindi Banga on 23 January 2024). Prior to that meeting, I called a meeting of the directors of the Board (excluding the UKGI appointed Director, Ms Gratton) to review any issues they wished me to raise with the UKGI team. As I said in my email to them it was good governance to meet once a year without the UKGI director present.

114. At that meeting with the directors (Mr Tidswell was not available) I received a clear message from the directors present that we were facing so many problems that it would be far better to have a SID from within our number. It was felt by the majority of the Board that familiarity with our business problems was more of a priority than Whitehall experience. I asked the Board to take the time to have another think about the issue, as this was a serious change of course. I agreed that I would contact them again within a couple of days. This I did, and six directors (including the CEO) voted to go with an internal appointment. Two directors voted against. The most adamant of the two dissenters was the UKGI Director, Ms Gratton, which was unsurprising given she represented the shareholder view. I wrote to the directors confirming that their preference, on further reflection, was to have an internal appointment. The majority view was to appoint Andrew Darfoor. Mr Darfoor, an experienced businessman, had joined the board as a non-executive director the previous year so already had an understanding of the company and could hit the ground running.

115. I took care to explain that we had to go through a process with the Nominations Committee and particularly the full Board, and that we would have to explain our decision to our shareholder (Email: "SID" 20 January 2024, **POL00448673**). I had in mind that we would need to meet as a Board both with and without Mr Darfoor present. I was not pushing a personal view; I was merely acting as a servant of the Board throughout the process, as a Chairman properly should. I understand that the process may have been moving in a direction which might have displeased UKGI and, by implication the Government. However, at the point at which I was dismissed, that process was still ongoing. In the event, since my departure Mr Darfoor has indeed been appointed as SID and the wishes of the majority of the non-executives have been accommodated. It is utterly wrong to suggest – as the former Secretary of State did – that I was trying to bypass the process when I was insistent to the Board that correct procedure be followed. To suggest, given my record during my long career of punctilious observance of governance at the highest level, that I was cavalier about governance is personally very wounding as well as self-evidently wrong.

INVESTIGATION INTO THE CPO'S "SPEAK UP" COMPLAINT

116. As I alluded to earlier in my statement, after Ms Davies' employment as CPO was terminated by Mr Read, on 4 September 2023 she submitted a further "Speak Up" complaint under the Post Office's whistleblowing policy (Letter from Jane Davies to Ben Foat **POL00448690**). The letter reiterated complaints she had made previously and accused Mr Read of bullying her

and not acting on whistleblowing concerns she raised. In the course of the 12-page letter, there was a one sentence reference to having once heard a Board member refer to women in a derogatory way. Although I was not mentioned by name in the letter (other than in the context of my having a good relationship with Ms Davies), I was to learn later that the reference to the nameless board member was to me.

117. The Post Office appointed a barrister, Marianne Tutin, to conduct an investigation into Ms Davies' "Speak Up" complaint. She wrote to me on 27 October 2023 to ask me to participate in the investigation (Letter from Marianne Tutin to Henry Staunton dated 27 October 2023, **WITN11410105**). At this stage, there was no suggestion that any of the allegations were directly about me. It was not until December that I was provided with the Terms of Reference which, for the first time, referred to specific allegations about me. The allegation was that I had made inappropriate comments with regard to gender and race at a meeting about candidates to be chair of the Post Office's Remuneration Committee.
118. I deny those allegations completely, and felt deeply stung by them. At the Post Office, as in my career previously, I was a champion of diversity. I find racism and misogyny utterly abhorrent. This was well-known to my colleagues at the Post Office. By way of example only, I responded strongly when I became aware that the Post Office had used racist terms to categorise postmasters. I told senior leadership that I was "furious" on behalf of our minority ethnic staff, and indeed on behalf of all our colleagues. (Email:

subject “Re: Summary of this morning’s FOI response press coverage”

POL00448688). In the subsequent board meeting when we discussed this matter, I said the company’s employees felt let down and questioned how we had managed to score “this huge own goal”.

119. The allegations about me have caused me both personal anguish and professional difficulties; I was forced to respond to questions from the Institute of Chartered Accountants about the investigation. I was very grateful that three of my former non-executive director colleagues, all of whom come from minority ethnic backgrounds, as well as Ms Davies, the former CPO wrote in my defence to the ICAEW to put on record that I had never exhibited any racist or sexist behaviours. All three directors have said they thought there was not an ounce of racism in me and indeed I was a champion of greater diversity of ethnicity and gender on the Board. As was appropriate to the context, the letters to the ICAEW focused on providing character references only. Separately, the non-executive directors all expressed orally to me their concerns about the fact and process of the investigation itself, calling it variously “contrived”, “unfair” and “bizarre”.
120. I have exhibited these statements to my witness statement (I should say that the individuals concerned are aware that I have done so), and I encourage the Inquiry to read those in full]. To give some brief excerpts, the character references include the following:
- a) Mr Ismail said that during my tenure as chairman I was professional, committed to addressing the institution’s challenges, and “*consistently*

demonstrated strong values". He said I did not exhibit any racist or misogynistic behaviours and as a Muslim, he could attest that I was accommodating and respectful of his religious practices. He voiced concerns that the investigation may have been engineered to remove me from my position, and that I may have been targeted because of my defence of convicted postmasters and their families (Letter from Saf Ismail to ICAEW dated 26 June 2024, **WITN11410107**).

- b) Mr Elliot said I am *"not a racist if anything quite the contrary"*, referring to my tireless efforts to achieve better ethnic and gender representation on the Board. He said I had sought to tackle the huge issues facing the Post Office and had displayed *"complete integrity and exemplary behaviour"*. He expressed surprise that he had not been approached during the investigation, and that if he had he would have disagreed with its findings (Email: "Henry Staunton" dated 24 June 2024, **WITN11410108**).

- c) Mr Darfoor, the Senior Independent Director, said he had no reservations whatsoever about my character and did not consider me in any way to be racist or misogynist. He said that he had never heard me express any racist or misogynist comment or heard anyone else alleging racism on my part. He said I was a huge champion of diversity at the Post Office generally and on the Board specifically. Mr Darfoor said he knew that his views were shared by Mr Ismail and Mr Jacobs, the three members of the Board *"who would be most sensitive to any*

racist issues". He too was not asked his views on the report before or after it was written, and said it was "strange" that the report was issued after my departure. In his view, the report was "*based largely on unsubstantiated hearsay and there was no formal complaint ever made by anyone regarding Henry.*" (Letter from Andrew Darfoor to Michael Burd dated 24 June 2024, **WITN11410109**).

- d) Ms Davies, whose own complaint had been the trigger for the investigation, said the manner in which the investigation was conducted raised serious questions about its governance, the process and the reliability of any conclusions. She vouched personally for my character and asserted categorically that I was in no way racist or misogynist in my attitudes or conduct. She felt her complaint had been "*spun*" and that any reference she made to me had been taken out of context. She said she never saw any problem with my attitudes to women or with colleagues of ethnic minority heritage, and that in fact I was an advocate of putting more talented women and people of ethnic minority heritage on the Board (Letter from Jane Davies to ICAEW dated 3 July 2024, **WITN11410106**). Ms Davies also wrote separately to Mr Byrne, chairman of the Business Select Committee, to explain she felt her "Speak Up" complaint had been misrepresented by the Post Office and widened to include myself, even though she intended it to "*be concerned with Nick Read and Nick Read alone*" (Letter from Jane Davies to Liam Byrne dated 18 March 2024, **RLIT0000327**).

121. On 10 January 2024, Ms Tutin wrote to me again to request a meeting with me in the week of 22 January. It should be said that this is at a time when all of my time, including weekends, was being taken up with Post Office matters following the fall-out from the ITV Mr Bates drama. This left me no time to prepare for my meeting with Ms Tutin. Nonetheless, I went ahead and met with Ms Tutin as requested. On 23 February I supplemented the interview with written responses.
122. I was therefore deeply surprised when a suggestion was later made that I tried to block or not cooperate with an investigation into my own conduct (something said by the Secretary of State in the House of Commons, and my former non-executive director colleague Mr Tidswell before the Business Select Committee). The above shows that is demonstrably not the case. Insofar as the investigation into my conduct, it is utterly false. In terms of the investigation into the CEO, it is true that I was conscious of the stress Mr Read was under and thought it would be sensible to review the numerous allegations with a view to deciding which were truly necessary to put to Mr Read. This is something Mr Tidswell was supportive of; on 16 January 2024 he wrote to me to say that it would be sensible bearing in mind the *“intense pressures on Nick”* to categorise the allegations to limit the scope of the investigation process such that Mr Read was only interviewed about matters that were sufficiently significant (Email: *““Confidential” POL00448674*). Quite properly, I said that I was happy for the board to decide how the allegation of Mr Read bullying Ms Davies with regard to his salary should be dealt with, given I had been involved in that matter myself. It is worth bearing in mind that

my foremost role as chairman was to act in the interests of the company, and I considered it was in the interests of the company to steady the ship at this time and ensure that Mr Read stayed in position. The last thing the Post Office needed at this time of intense pressure was an overhaul in senior leadership. I had very real concerns that Mr Read would resign or need to take sick leave as a result of the pressure.

123. When Ms Tutin's investigation concluded (long after I had left the Post Office, in circumstances I describe below), I was surprised that, contrary to well-established practice, not to mention the principles of natural justice, there was no process of "Maxwellisation" before her report was released. I was not shown, either in whole or part, the report before it was sent to the Post Office. I was given no opportunity to comment on its findings. Indeed, to this day I have still not been provided with a copy of that report, nor even a summary of its findings.

124. Nor was I given any advance notice of the press statement that the Post Office released about the report. That statement made no mention of me. Instead it referred, rightly, to a number of misconduct allegations having been made against Mr Read. The statement said, somewhat surprisingly, that Mr Read had been exonerated of all misconduct allegations. I have never seen a copy of the report, so I am unable to comment on the findings.

125. Alongside the formal statement, shortly after it was released, it appears that newspapers were given an anonymous briefing and leaked selected extracts of the Tutin report. As a result of that anonymous briefing, a "government

source” was quoted attributing malicious and racist motivations to my decision to go public about my concerns about the Post Office executive management and culture. I found those allegations appalling. I can categorically state that my reasons for going public had nothing to do with the Secretary of State being “black and female”, as the newspapers reported. I was deeply aggrieved that I had been made a “fall guy” for failings that I myself had been struggling to get the Post Office to address. I felt I had a duty to go public because I believe in the importance of integrity in public life. The public were owed the truth. Moreover, the anonymous “government source” sought to draw a link between my dismissal (which I describe below) and the findings of the Tutin investigation, which was not concluded until several months after I was removed as chairman. To say the least, it is highly irregular to have been dismissed and then some months after that dismissal an investigation allegedly finds the grounds to justify that dismissal. It is hard to avoid the feeling that, faced with a serious complaint against its CEO, and with a chairman who was increasingly critical of the approach to convicted postmasters, the Post Office chose to deflect attention away from Mr Read and towards me instead.

MY REMOVAL AS CHAIR OF THE BOARD

126. Shortly after I raised the concerns above on behalf of my postmaster Board colleagues, relations between me and Mr Read and Mr Foat began to deteriorate. I cannot say how much of what was to follow could be put down to that deterioration.

127. On 27 January 2024, I found out quite unexpectedly from a journalist that I was going to be removed from my position as chairman by the government. I subsequently received a call from the Secretary of State. There is an official note of this call, which does not fully reflect my own recollection of the brief conversation (Note of call between Kemi Badenoch and Henry Staunton dated 27 January 2024, **WITN11410110**). I was given no clear reason for my removal and expressed my dismay at the decision and the way it had been communicated. As the note records, the most I was told was that Ms Badenoch had *“received a briefing on the governance issues at the Post Office and that the complaints against [me] are so serious that the government need [sic] to intervene”*. I was not told what the alleged governance issues were, but I suspected it related to the “SID” issue I describe above. Certainly I was subject to no proper process where I could respond to the allegations before the decision was made. I did not attempt to argue or ask questions as it was clear the decision had been made. The impression I had from the call (which was not recorded in the official note) was that I was being held to account for the failings at the Post Office.
128. After my departure from the Post Office, I was approached by the Sunday Times, which published an article on 18 February 2024. This was the only interview I gave, despite many, many requests from other newspaper and television journalists. The full article can be seen at **RLIT0000256**. I will not repeat the matters contained in it as they are covered elsewhere in this statement.

129. The next day, 19 February 2024, Ms Badenoch made a statement to the Commons where she said I had been dismissed because of “*serious concerns about [my] behaviour as chair*”, citing the senior independent director appointment process. In a complete mischaracterisation of the situation, she said that I had tried to bypass due process to appoint someone from the board. She went on to say – although she did not say it had any bearing on my dismissal – that a formal investigation had been launched into bullying allegations against me and that concerns had been brought to her department’s attention about my willingness to cooperate with that investigation. I was shocked that she would say that, as it was in fact Mr Read, not me, who was being investigated for bullying. There was, in truth, never any allegation of bullying by me from anyone in the Post Office. It was truly shocking that she would convey this false allegation in an official statement. I have already addressed the baseless allegations about my cooperation with the investigation made about me earlier in this statement. I had been more than willing to cooperate with the investigation as it was important to me to clear my name in the face of these smears.
130. On 27 February 2024, I had the opportunity to speak to the Business and Trade Committee, chaired by Liam Byrne MP. My comments at the Committee are a matter of public record and I will not repeat them in full. I reiterated my own views on the remediation schemes, and that I had been determined to do the right thing by postmasters. I also set the record straight that it was Mr Read who was being investigated (including for alleged

bullying) as a result of Ms Davies' "Speak Up" complaint, and that my involvement was comparatively peripheral.

131. I followed up twice in writing with the Select Committee on 1 March 2024 and 15 March 2024. I urged the government to stop ducking responsibility to compensate wronged postmasters, promptly and generously. I repeated my view that £1 million would be fair compensation for convicted postmasters. I said the Post Office should be removed from the process of administering compensation and responsibility handed to a fully independent body. I argued for a firm deadline, of no more than six months, for compensation to be administered. Once again I voiced my opinion that the Post Office should be taken out of arms-length government control and put into the hands of the postmasters themselves. (Letter from Henry Staunton to Liam Byrne dated 1 March 2024, **WITN11410111**) On the matter of the investigation into Ms Davies' "Speak Up" complaint, by this time she herself had confirmed to the Committee herself that her concerns were focused on the alleged bullying of her by Mr Read and the culture she said he was perpetuating. Nevertheless, the Terms of Reference of the Tutin Investigation included separate allegations effectively of racism and misogyny on my behalf – allegations that I found deeply distressing and knew would be contested by everyone who knows me. I have been a champion of diversity in all the organisations I have worked for, including the Post Office.
132. I have been asked by the Inquiry whether I think the culture in the Post Office encourages whistleblowers to speak openly and honestly about their

concerns. I should think that the experiences of both myself and others that I describe above answer that question: based on my own experience I do not think the culture has encouraged people to be able to speak up safely and without repercussions. While I was not given reasons for my termination, it seems likely that my willingness to contradict the Post Office orthodoxy on the treatment postmasters meant my card was marked. I subsequently suffered the public trashing of my reputation. I have described how the postmaster non-executive directors were frightened to learn that their complaints had been divulged to the investigations team. Their experiences showed they were right to fear the power of the Post Office investigators. I have also described how a series of women who were unhappy with Post Office culture left the organisation rather than stay to see it change from within, which I suspect reflects a lack of confidence that their concerns would be taken seriously and addressed.

PERSONAL IMPACT

133. I do not wish to dwell on the personal impact on me from my time at the Post Office, which is insignificant compared to the experience of the thousands of affected postmasters. I say only briefly that the whole process of my removal from post and the Tutin investigation has taken a considerable toll physically, mentally and financially. I took on the role of chairman of the Post Office out of a sense of duty. I did not expect it to be, in the words of the Sunday Times columnist Oliver Shah, *"like switching from rugby to a bar room brawl"*. I admit I was ill-prepared for the highly politicised world of the Post Office. Nothing in

my previous career had prepared me for a world where in seeking to apply the normal rules of good governance, honesty and integrity which I have sought to promote and uphold, would lead to me being vilified, traduced and my reputation trashed publicly.

134. I hope that my statement sheds a light on the fact that there is some way to go in changing the culture of the Post Office. However, my hope is that through the work of the Inquiry and the tireless campaigning of postmasters, those individuals who were so wronged will finally see justice. I have every hope that a change in culture can be achieved relatively quickly with new management and I have every confidence in the new chair.

MY VISION FOR THE FUTURE GOVERNANCE OF THE POST OFFICE

135. In my time at the Post Office I had been developing my thoughts on the right strategic direction for the organisation and I concluded that that the Post Office needed root and branch reform. The postmaster non-executive directors had been a valuable addition to the Board. My vision for the future of the Post Office was to make the business and the board more postmaster-centric. I wanted more postmaster non-executive directors (four on the board at any one time), and to be able to make the most of their experience.
136. The original idea had been for Mr Jacobs and Mr Ismail to join for a term of three years which meant that both were coming near the end of their terms when I was chairman. Although they would be replaced with other postmasters, I thought it would be a waste to lose their accumulated

experience so abruptly and at a time of huge problems for the Post Office. I thought the better path would be a “staggered roll-off” whereby they would not both leave the Board at once. Instead, one of them could extend their term by a year to allow for more continuity. I made that suggestion to the Chief Executive of UKGI in September 2023, and he was supportive (Email: “Re: Quick call this week?” 21 September 2023 **POL00448672**). I therefore moved forward with putting this in place; on 26 September 2023 I reported back to the Board that the Nominations Committee had decided that one postmaster non-executive director would step down in June 2024 and the other would stay in place until June 2025. This was a compromise position and took some effort on my part, as at the Nominations Committee meeting management had argued strongly against any extension (Minutes of POL Board Meeting 26 September 2023, **POL00448718** p.4).

137. Mr Ismail and Mr Jacobs had raised with me the possibility of having a Board committee on culture, consisting of the postmaster non-executive directors and others. They also suggested having postmaster non-executive director membership on all board committees, including the Remuneration Committee. These initiatives would likely need new postmaster recruits to the Board to get off the ground. I was supportive of those ideas and was looking forward to staying in place as chairman to help shape the new culture of the Post Office. Unfortunately, I was not afforded that opportunity. (Email: “Project Pineapple” 14 January 2024, **POL00448704**).

138. When the Secretary of State terminated my chairmanship, she asked me my recommendations for the future of the Post Office. As the note of that meeting records, I advised extensive work to ensure the culture is overhauled. I said I strongly disagreed with the disparaging views of postmasters and called for a more postmaster centric approach. I suggested an oversight committee chaired by two postmaster directors, with the possibility of appointing a further postmaster director in the future (**WITN11410110**). These were exactly the ideas I had discussed with Mr Ismail and Mr Jacobs and advocated for as chairman.
139. The Post Office has the potential for a good future. This witness statement addresses various issues, which the organisation must still address. Inter alia the need for a better culture with regard to how postmaster directors and postmasters generally are treated; the advancement of women in the organisation; and a less obsessive focus on remuneration (perhaps with bonuses being scrapped altogether). With new management, these could be dealt with in short order, leading to a dramatic increase in the engagement scores for postmasters, the senior leadership group and staff in general. The new well-respected chairman and the team he has introduced, alongside the Senior Independent Director will, I am sure, attend to that.
140. In my view, the best path for the Post Office to take now would be mutualisation. As well as suggesting this route with Board colleagues, I raised it with the Secretary of State in our conversation at the end of my chairmanship, and to Mr Byrne when I wrote to him on 1 March 2024. My

vision was that the company should be owned by the postmasters: something akin to the John Lewis or old building society model. A more postmaster-centric organisation would help considerably reduce our overheads and be a counter to the bonus and remuneration culture that I have touched on in this statement. It would lead to better remuneration for postmasters and put the organisation on a sound financial footing. A major reduction in the cost base would eradicate the losses but more importantly allow for a significant increase in remuneration for postmasters. There would be a cost associated with such a reorganisation, which would require funding, but would be worthwhile long-term. I have every hope that this future for the Post Office can be achieved with the right leadership.

Statement of Truth

I believe the content of this statement to be true.

Signed:

GRO

Dated: 06 September 2024

Index to First Witness Statement of Henry Staunton

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control Number</u>
1.	BEIS0000622	Letter from Sarah Munby to Henry Staunton (09/12/2022)	VIS00014237
2.	UKGI00044315	Letter from Sarah Munby to Tim Parker, subject "Strategic Priorities for 2022/23" (Undated)	UKGI052977-001
3.	UKGI00044317	Letter from Kevin Hollinrake to Henry Staunton, subject "Strategic Priorities for 2023/24" (29/06/2023)	UKGI052979-001
4.	RLIT0000254	Email from Henry Staunton to Nick Read, subject "Fwd: Note of meeting with Sarah Munby on 5 Jan 2023" (06/01/2023)	RLIT0000254
5.	RLIT0000255	Letter from Sarah Munby to Kemi Badenoch (21/02/2023)	RLIT0000255

6.	BEIS0000752	Email chain ending with email from Rebecca Stockbridge to Ed Baird and others, subject "FW: [Briefing Request – midday Friday 23/12] RE: Attached Letter from Henry Staunton Chairman" (16/02/2024)	VIS00014367
7.	POL00423699	Email chain ending email from Alisdair Cameron to Nick Read and others, subject "RE The robustness of our governance" (26/03/2023)	POL-BSFF-0238490
8.	POL00448715	Minutes of POL Board Meeting (12/07/2023)	POL-BSFF-WITN-035-0000020
9.	POL00448689	Email from "John Doe" to Henry Staunton, subject "Whistleblowing" (27/06/2023)	POL-BSFF-WITN-006-0017709

10.	POL00448708	POL Board Meeting – CEO Report (24/01/2023)	POL-BSFF-WITN- 035-0000001 (p.45)
11.	POL00448621	Minutes of POL Board Meeting (06/12/2022)	POL-BSFF-WITN- 021-0000005 (p.12)
12.	POL00448716	Minutes of POL Board Meeting (17/08/2023)	POL-BSFF-WITN- 035-0000021
13.	POL00448710	POL Board Report – “Postmaster Remuneration increases for 2023/24” (28/03/2023)	POL-BSFF-WITN- 035-0000005 (p.62)
14.	POL00448717	Minutes of POL Board Meeting (07/2023)	POL-BSFF-WITN- 035-0000022 (pp.3-4)
15.	POL00448709	POL Board Report – “Historical Matters Programme Update” (24/01/2023)	POL-BSFF-WITN- 035-0000002 (p.54)

16.	POL00448713 POL00448614 POL00448620	Minutes of POL Board Meeting (28/11/2023)	POL-BSFF- WITN-021-0000006 POL-BSFF- WITN-035-0000011 POL-BSFF- WITN-021-0000015
17.	POL00448680	Letter from Henry Staunton to Grant Shapps, subject "Request for approval for an increase in remuneration for Nick Read Chief Executive Officer Post Office Ltd." (11/11/2022)	POL-BSFF-WITN- 021-0000015
18.	POL00448675	Notes prepared for Henry Staunton in advance of meeting with Grant Shapps on 10/01/2023, subject "Request for approval to retain and seek an increase in remuneration for Nick Read CEO Post Office Ltd"	POL-BSFF-WITN- 006-0005386
19.	WITN11410101	Email chain ending email from Nick Read to Jane Davies, subject	WITN11410101

		"RE: 2022-11-11 POL CEO remuneration_HENRY NOTES v1 Grant Shapps v1 – CONFIDENTIAL" (16/12/2023)	
20.	POL00448682	Email chain ending email from Jane Davies to Lisa Harrington and Henry Staunton, subject "RE: CONFIDENTIAL: CEO pay rise" (08/03/2023)	POL-BSFF-WITN-006-0010310
21.	POL00448677	Email chain ending email from Jane Davies to Henry Staunton, subject "Re: Nick" (23/01/2023)	POL-BSFF-WITN-006-0007793
22.	WITN11410102	Text message from Nick Read to Jane Davies (23/01/2023) and notes of meeting between Nick Read, Henry Staunton and Jane Davies (23/02/2023)	WITN11410102
23.	POL00448678	Email from Henry Staunton to Nick Read, subject "BEIS / UKGI response" (25/01/2023)	POL-BSFF-WITN-006-0007946

24.	POL00448683	Email chain ending email from Jane Davies to Tim Cooper and Lorna Gratton, subject "RE: SoS sign off – POL STIP 2022/23" (22/03/2023)	POL-BSFF-WITN-006-0010973
25.	POL00448706	Letter from Kevin Hollinrake to Henry Staunton, subject "POST OFFICE: CEO REMUNERATION" (21/04/2023)	POL-BSFF-WITN-016-0000001
26.	POL00448681	EY Report – "Confidential – for the attention of the Chairman and GCPO: NED Exit Interviews – Written Summary"	POL-BSFF-WITN-006-0010030
27.	POL00448676	Email chain ending email from Benjamin Tidswell to Henry Staunton, subject "Re: Tom Cooper – STRICTLY PRIVATE AND CONFIDENTIAL" (23/12/2022)	POL-BSFF-WITN-006-0006021

28.	POL00448687	Letter from Jane Davies to Henry Staunton, enclosing letter from Mills & Reeve LLP to Nick Read (23/05/2023)	POL-BSFF-WITN-006-0014682
29.	POL00448707	Engagement Survey Presentation presented at Staff Conference (27/04/2023) – “Overall results & themes”	POL-BSFF-WITN-018-0000107 (slide 100)
30.	POL00448635	Staff Engagement Survey – “Post Office has a respectful, friendly and supportive culture, with pockets of bureaucracy, fragmentation and inefficiency”	POL-BSFF-WITN-015-0013255(p.13)
31.	POL00447866	POL Board Report – “Board Evaluation Report 2022/23” (28/03/2023)	POL-BSFF-106-0000106
32.	POL00448712	POL Board Report – “Chief Executive’s Report” (06/06/2023)	POL-BSFF-WITN-035-0000007 (pp.37)

33.	POL00448711	POL Board Meeting – CEO Report (06/06/2023)	POL-BSFF-WITN- 035-0000006 (pp.37 & 41)
34.	POL00448679	Email chain ending email from Rachel Scarrabelotti to Henry Staunton, subject “RE: PM NED matter” (01/03/2023)	POL-BSFF-WITN- 006-0009711
35.	POL00448684	Email chain ending email from Henry Staunton to Diane Blanchard, subject “Fwd: Discrepancies in postmaster branches – IN CONFIDENCE” (29/04/2023)	POL-BSFF-WITN- 006-0013133
36.	POL00448685	Email from Elliot Jacobs to Tracy Marshall, subject “Commitment” (28/04/2023)	POL-BSFF-WITN- 006-0013134
37.	POL00448686	Email chain ending email from Henry Staunton to Nick Read,	POL-BSFF-WITN- 006-0013215

		subject "Fwd: Diary – w/c 1 st May 2023" (02/05/2023)	
38.	POL00448691	Email chain ending email from Henry Staunton to Nick Read, subject "Fwd: Project Venus – Privileged and Confidential – Draft Note of Advice" (24/09/2023)	POL-BSFF-WITN-006-0024471
39.	POL00448692	Email from Ben Foat to Henry Staunton, subject "Project Venus" (27/10/2023)	POL-BSFF-WITN-006-0025808
40.	POL00448695	Email chain ending email from Henry Staunton to Simon Jeffreys, subject "Re: Project Venus" (25/11/2023)	POL-BSFF-WITN-006-0026931
41.	POL00448694	Email chain ending email from Simon Jeffries to Henry Staunton, subject "Re: Project Venus" (25/11/2023)	POL-BSFF-WITN-006-0026929

42.	POL00448693	Email chain ending email from Henry Staunton to Nick Read, subject "Re: Today" (25/11/2023)	POL-BSFF-WITN-006-0026917
43.	POL00448697	Email chain ending email from Henry Staunton to Nick Read, subject "Re: ARA Update – 1/12/2023" (03/12/2023)	POL-BSFF-WITN-006-0027540
44.	POL00448696	Email chain ending email from Elliot Jacobs to Henry Staunton, subject "Re: The Investigation" (02/12/2023)	POL-BSFF-WITN-006-0027442
45.	POL00448698	Email from Henry Staunton to Diane Blanchard, subject "Saf feedback – CONFIDENTIAL" (07/12/2023)	POL-BSFF-WITN-006-0027941
46.	POL00448699	Email chain ending email from Ben Foat to Nicola Munden and others, subject "RE: Post Office	POL-BSFF-WITN-006-0029147

		Compensation Bill Debate Summary" (09/01/2024)	
47.	POL00448700	Email chain ending email from Henry Staunton to Nick Read, subject "Fwd: Post Office Compensation Bill Debate Summary" (09/01/2024)	POL-BSFF-WITN-006-0029169
48.	POL00448381	Letter from Nick Read to Alex Chaulk, subject "Post Office Convictions and Compensation" (09/01/2024)	POL-BSFF-WITN-012-0000019
49.	POL00448701	Letter from Nick Vamos (Peters & Peters Solicitors LLP) to POL	POL-BSFF-WITN-006-0029319
50.	POL00448703	Email chain ending email from Henry Staunton to Nick Read, subject "Fwd: Documents – confidential and legally privileged" (13/01/2024)	POL-BSFF-WITN-006-0029518

51.	POL00448702	Letter from Henry Staunton to Kevin Hollinrake, subject "Government response to Mr Bates v Post Office" (11/01/2024)	POL-BSFF-WITN-006-0029405
52.	POL00448704	Email from Henry Staunton to Henry Staunton, subject "Project Pineapple" (14/01/2024)	POL-BSFF-WITN-006-0029639
53.	POL00448537	Press Release – Voice of the Postmaster (15/01/2024)	POL-BSFF-122-0000002
54.	POL00448302	Email chain ending email from Henry Staunton to Saf Ismail and Elliot Jacobs, subject "RE: Project Pineapple" (15/01/2024)	POL-BSFF-WITN-006-0029777
55.	POL00448564	Email chain ending email from Martin Roberts to Ben Foat and others, subject "RE: Future of Post Office branches" (18/01/2024)	POL-BSFF-122-0000029

56.	POL00448301	Email from Henry Staunton to Amanda Burton and others, subject "Project Pineapple – STRICTLY CONFIDENTIAL" (18/01/2024)	POL-BSFF-WITN-005-0010781
57.	POL00448383	Email chain ending email from Elliot Jacobs to Saf Ismail and Nick Read, subject "Re: Project Pineapple – STRICTLY CONFIDENTIAL" (18/01/2024)	POL-BSFF-WITN-012-0000021
58.	WITN11410103	Email from Elliot Jacobs to Henry Staunton and Saf Ismail, subject "CONFIDENTIAL draft for discussion" (24/01/2024)	WITN11410103
59.	POL00448305	Note from Saf Ismail to the POL Board	POL-BSFF-WITN-006-0030696
60.	POL00448714	POL Board Report – "Senior Independent Director role" (26/09/2023)	POL-BSFF-WITN-035-0000015 (p.188) =

61.	WITN11410104	Letter from Henry Staunton to Liam Byrne, subject "Post Office and Horizon: Ensuring full and fair redress" (15/03/2024)	WITN11410104
62.	POL00448673	Email from Henry Staunton to Benjamin Tidswell and others, subject "SID" (20/01/2024)	POL-BSFF-WITN-004-0055742
63.	POL00448690	Letter from Jane Davies to Ben Foat, subject "SPEAK UP COMPLAINT"	POL-BSFF-WITN-006-0023470
64.	WITN11410105	Letter from Marianne Tutin to Henry Staunton, subject "'Speak Up' Complaint Investigation" (27/10/2023)	WITN11410105
65.	POL00448688	Email chain ending email from Henry Staunton to Nick Read and others, subject "Re: Summary of this morning's FOI response press coverage" (27/05/2023)	POL-BSFF-WITN-006-0015128

66.	RLIT0000327	Letter from Jane Davies to Liam Byrne, subject "Post Office and Horizon: Ensuring full and fair redress" (18/03/2024)	RLIT0000327
67.	WITN11410106	Letter from Jane Davies to Ms Ho (ICAEW), subject "Re Case reference 074941/MATT" (03/07/2024)	WITN11410106
68.	WITN11410107	Letter from Saf Ismail to ICAEW, subject "FAO: ICAEW – Henry Staunton" (26/06/2024)	WITN11410107
69.	WITN11410108	Email from Elliot Jacobs to Michael Burd, subject "Henry Staunton" (24/06/2024)	WITN11410108
70.	WITN11410109	Letter from Andrew Darfoor to Michael Burd, subject "STRICTLY PRIVATE AND CONFIDENTIAL – CHARACTER REFERENCE	WITN11410109

		(HENRY STAUNTON)” (24/06/2024)	
71.	POL00448674	Email from Benjamin Tidswell to Henry Staunton, subject “Confidential” (16/01/2024)	POL-BSFF-WITN-005-0010731
72.	WITN11410110	Note of call between Kemi Badenoch and Henry Staunton (27/01/2024)	[WITN11410110
73.	RLIT0000256	The Sunday Times – “Post Office boss: I was told to stall compensation to help Tories” (18/02/2024)	RLIT0000256
74.	WITN11410111	Letter from Henry Staunton to Liam Byrne, subject “Post Office and Horizon: Ensuring full and fair redress” (01/03/2024)	WITN11410111
75.	POL00448672	Email chain ending email from Henry Staunton to Charles Donald,	POL-BSFF-WITN-004-0047750

		subject "Re: Quick call this week?" (21/09/2023)	
76.	POL00448718	Minutes of POL Board Meeting (26/09/2023)	POL-BSFF-WITN- 035-0000023 (p.4)